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How Low Exchange Rate Furthers Selling

Has Germany Sold Her American Securities

By SIEGFRIED STRAUSS

GERMANY has been taking an active interest in American corporations for a great many years, furnishing capital either direct or through the medium of the London Stock Exchange. German speculation during the Spanish-American war and the Boer war in South Africa became a factor in the London market.

These two wars brought booms in the foremost departments of the London Stock Exchange, viz., in American railroads and in South African mining shares. The German Stock Exchanges were crippled through stringent laws, and the German speculator turned to the London market. The German public became one of the most influential market factors of the London Stock Exchange, and London stockbrokers, through representatives in a number of German cities, did splendid business.

When Dr. Bernhard Dernburg, president of the Bank fuer Handel and Industrie in Berlin, was appointed to head the ministry of the German colonies, he had to fight against a hostile parliamentary majority of Socialists and clericals. The German chancellor Prince von Buelow asked the emperor to dissolve parliament, and the German people in January, 1907, elected a "Reichstag" which put the Socialists and clericals in a minority, giving the Conservative-Liberal bloc a workable majority.

The Liberals in Germany represent the middle classes and big business interests, and one of the most beneficent laws the Conservative-Liberal bloc enacted was the "Stock Exchange Law," which freed the German Stock Exchanges. The enormous losses which the German speculator suffered in South African mining and American Railroad shares (panic of 1907) frightened him away from the London market, and he turned to the German Stock Exchanges which, freed from oppressive laws, offered a fine opportunity for speculation.

In the meantime a good many New York Stock Exchange houses established branch offices in Berlin and other German cities to get the business in American securities which the German banks and brokers had been giving to the London Stock Exchange houses.

This attempt was successful, and during the years 1909-1913 New York Stock Exchange houses did a large business with Germany.

The Balkan war, the forerunner of the present "world war," brought a great deal of liquidation in speculative holdings. In the course of the Balkan war speculators in Europe turned their attention to the European markets, where tremendous fluctuations offered good opportunities for speculation. Speculative interest in American securities grew smaller and smaller, especially in Germany, and the 30th of July, 1914, caught the German public with comparatively small speculative positions in London or New York. The tremendous break which took place in the last days of July, 1914, on the New York market, while Europe's stock exchanges had closed their doors, wiped out big margins, and it is therefore safe to assume that the German *commitments* on the New York and London stock exchanges in American securities at the outbreak of the war were very small.

As far as German *investment* in American securities is concerned conditions are fundamentally different. Germany's permanent investment in American railroad bonds and stocks is very large. Many American railroad bonds were placed all over Germany, and are listed on the Berlin and Frankfort Stock Exchanges. Baltimore & Ohio, Atchison and Pennsylvania stocks are also listed on these Exchanges together with Canadian Pacific, one of the speculative leaders of the Berlin Exchange, which is the broadest market in the world for that stock.

Germans who went to the United States and grew rich there, returned to the old country. Naturally they took their American securities along. German banks invested a good deal of money in American railroads. The wealthy classes in Germany invested part of their fortune in American securities, to have something to fall back upon in case of the long-talked-of European conflagration. The better return American securities offered induced the German investor of more moderate means to buy American railroad bonds and shares for purely investment purposes.

Now the question arises, have Germany's permanent investments been liquidated?

Undoubtedly German investors have liquidated part of their American holdings. The ticker of the New York Stock Exchange at a certain time showed many sales of bonds for delivery in twenty days and a great many of these bonds had German stamps, and came either direct from Germany or from Holland, Italy and Switzerland. Certain German investors needed money, and consequently sold their American holdings, for which there has been a market in New York since December, 1914.

The main inducement for Germans to sell American securities was the depreciation of German exchange. German exchange is normally quoted around 95—meaning 95 cents for 4 German marks; it dropped to 82 cents, thus suffering the tremendous depreciation of nearly 14 per cent. The German investor that bought—let us say—$10,000 bonds of an American railroad at par, paid 42,000 marks cash for it. Supposing he would sell these bonds now at par in New York, he would receive for his cheque of $10,000 at the rate of 82 about 48,800 marks, most certainly a splendid profit. This profit in foreign Exchange undoubtedly is responsible for the bulk of the sales of American securities for German account.

But there are many reasons to believe that the percentage of German-owned American securities which has been liquidated is not very large. First of all when the war broke out, the New York Stock Exchange closed its doors for four months, and not before December, 1914, was there an opportunity for Germans to sell their American securities. By that time the first excitement was over. People that had to raise money were accommodated by their banks—and the German banks were very liberal to their customers.

Besides the German investor realized that in times of war in Europe the safest investment is a good American bond or dividend payer, and consequently he did not sell his safest investment unless he was absolutely compelled to do so. As

a matter of fact German funds were transmitted to this country since the outbreak of the war for investment, although such a transaction meant a heavy loss on account of the mark exchange. "Safety First" may have been very foolish and costly, but transactions like this were actually made.

To my mind the best proof that comparatively few German-owned American securities have been sold lies in the fact that German exchange has dropped to 82. With practically no direct exports from this country to Germany and heavy German selling of American securities Germany would have accumulated very large credits in New York City, and German exchange would consequently have risen to an normal level instead of dropping below 82.

Distribution of Our Exports

Foreign Trade and Domestic Prosperity

By CLARENCE D. JOHNSON

THE war has brought to the United States a golden opportunity to extend her exports with the countries of Central and South America and to take a more important part than she has hitherto done in the banking and commercial development of the other half of this hemisphere. The South and Central American nations now need many commodities which were formerly brought from Europe. These the United States can supply if she will go after the business, once obtained, she may hold, even after the war frees European competition, providing she proceeds to establish her trade in the right way.

Also, our business men are looking forward to a productive trade with Russia. It is realized that Russia possesses a vast territory with enormous undeveloped resources. For a good many years France and Belgium have made investments in Russia; of late England has been paying more attention to the Russian commercial and industrial development, but it was Germany, who, partly by reason of her proximity and largely by reason of her painstaking methods and enterprising business policies, had easily held first place in the Russian trade. Whatever the military results of the present war may be, the great natural resources that exist in Russia and the latent capabilities of her great population will find development. Already numerous American industries have made an important beginning in Russia and their experience has been decidedly encouraging.

All nations are buying here, either for themselves, like the Allies, or for Germany through neutral ports. An interesting table dealing with exports from a geographical standpoint, bringing out the tremendous falling off in exports from this country to Germany and Austria-Hungary, the heavy increase in exports to Great Britain, France, Russia, and also to the countries adjacent to the Teutonic allies is given herewith.

Europe has sought and obtained extensive credits here and it is possible that additional credits may be established. Such operations have a steadying influence in the exchange market, but, of course, they merely defer an indebtedness and the outstanding feature of the present situation is that all the world is

Distribution of Exports from the United States.

Nine Months Ended March 31.

	1913 Dollars	1914 Dollars	1915 Dollars
Allies.			
France	120,786,314	134,413,328	224,887,474
United Kingdom	478,427,477	483,583,784	630,512,772
Russia in Europe	19,378,624	23,839,581	11,964,566
Finland	2,379,264	2,525,043	298,722
	620,971,679	644,361,736	867,663,534
Teutonic Alliance.			
Germany	268,091,878	290,417,563	28,861,187
Austria-Hungary	18,645,218	18,000,533	1,218,675
	286,737,096	308,418,096	30,079,862
Countries Surrounding Teutonic Allies.			
Denmark	14,748,461	12,044,401	63,103,962
Italy	59,861,256	58,831,727	138,778,165
Sweden	8,964,453	11,026,562	65,980,749
Netherlands	96,109,941	84,160,673	101,892,382
Norway	6,686,889	6,925,181	32,401,556
	186,371,000	172,988,544	402,156,814
Occupied Country.			
Belgium	53,981,914	48,401,216	16,794,203
Entire Europe	1,180,027,411	1,208,540,019	1,371,203,016
North American Countries	455,419,552	401,899,578	347,054,662
South America	109,087,145	97,775,246	62,760,328
Asia	81,943,898	90,888,955	*76,261,002
Oceana	59,710,734	62,750,098	52,995,874
Africa	21,869,633	21,368,019	20,692,987
Grand total exports	1,908,058,373	1,883,221,915	1,930,967,869
Grand total imports	1,401,844,183	1,398,352,578	1,213,653,643
Export balance	506,214,190	484,869,337	726,314,226

*Including $12,303,309 for Russia in Asia, against only $944,304 a year ago.

becoming increasingly obligated to the United States.

If this country can remain out of the wars in Europe and Mexico, we should not only be able to take away from London a part of her commanding financial power, but we should have a foreign trade unequalled by any other country.

MONEY-BANKING-BUSINESS

What Thinking Men Are Saying

About Financial, Investment and Business Conditions

Banks Can Finance Big Expansion.

THE increasing strength of America's financial position is shown in many ways—by the piling up of bank deposits and reserves, by the eagerness of the public to put its money to speculative use in the stock market, by business improvement, now becoming more marked every day, by the flood of war orders, by the phenomenal increase in our exports, resulting in unprecedentedly low rates for foreign exchange, etc.

Largely as a result of the Federal Reserve Banking system, we are in a position to finance a tremendous business expansion. Two of the leading bankers of the country have recently emphasized this fact:

Frank A. Vanderlip: We can probably expand loans two or three billions. We not be in a state of preparedness for war, but we are in a state of preparedness to expand loans abroad and develop credit at home.

Paul M. Warburg: The United States may be profoundly grateful that just at this time its new banking system has been established. The day of the opening of our Federal Reserve banks will mark the advent of our financial independence. We are now able to finance our own imports and exports by the use of American acceptances. More than that, we are in a position to finance the trade of other nations and to play, in this respect, the part of an international banker that has heretofore been played almost exclusively by England.

The better feeling of the public towards corporate enterprise is another hopeful feature for business expansion. Many business men mention this as a most encouraging development:

E. H. Gary: It seems to me at the moment the outlook for improvement in our lines of activity are better than they have been for more than a year. This is undoubtedly in part the result of increased exportations at fair prices, due to the European war, but in my opinion also because of a change in sentiment toward business which now seems apparent.

Charles M. Schwab: I am very hopeful of the future. The storm of resentment against us, which has been sweeping over this country for years, has vented itself. We no longer need to dread public condemnation of our efforts. The President of the United States has voiced the change in the public mind by recommending co-operation among manufacturers in efforts to get the export trade. We are at the opening of an area of great prosperity.

* * *

America Leads the World in Wealth.

THE Census Bureau has just computed the total wealth of the United States in 1912 at $187,739,000,000, or double the figures for the year 1900. Since 1904 we have been adding to our wealth at an average rate of about $10,000,000,000 a year. While computations naturally differ somewhat, there can be no doubt that this makes us far the richest nation in the world.

In the past our wealth as been ineffectively used, so far as banking methods were concerned. But now we get the full benefit of the strength of our position. Spencer Trask & Co. thus summarize the monetary situation:

Ease in money has been a factor in preventing any considerable drop in bonds. Within the last week money on call has loaned at 1 per cent., the lowest rate in two years. This will be understood when it is pointed out that the surplus reserves of New York banks are in the neighborhood of $200,000,000, and that through the operations of the Federal Reserve system we could, it has been estimated, extend our credit if necessary by another $3,000,000,000. To add to this actual and potential plethora of loanable funds, gold is arriving from abroad at such a pace that we have by now practically wiped out the enormous gold exports we had been forced to make prior to the war.

These money conditions cannot help percolating into general business and improvement is now being generally noted. The comments of President Earling of the St. Paul Railroad are typical:

There is reason for gratification in the business outlook. The revival of business in the East is not especially large but it is apparent.

Certainly the crop prospects are good. The high prices that were paid for grain during the first few months have influenced the farmers to increase their grain acreage, and this means new building and an increased demand for lumber in the Northwest. We figure on heavy freight from now on. The eastbound freight has already picked up and the westbound shipments are a good deal better than they were a year ago.

* * *

"Magna Charta of Business."

THAT is what the N. Y. *Times* calls the Court decision sustaining the U. S. Steel Corporation. The suit was filed Oct. 26, 1911; hearings began May 6, 1912; the argument was held in October, 1914; testimony filled 15,000 printed pages; suit cost about $500,000, of which $400,000 was borne by the corporation; case was decided June 3, 1915, to the effect that the corporation is not a monopoly and that the steel business is freely open to competitors. The decison will be appealed to the Supreme Court.

The United States District Court has decided that the government's prosecution of the Steel Corporation has shown no infraction of the Sherman anti-trust law. The test of monopoly is not the size of that which is acquired, but the trade power of what is not acquired, and the trust's competitors have grown more than the trust itself. It is affirmatively found that the trust got no rebates from railways. The only point of criticism is regarding price regulations, which were stopped before the government complained, and, therefore, are not within the prosecution.

The decision alters nothing. It merely leaves matters where they were. But that is all that was necessary to remove the terrors of the law against those whose business methods are commendable.

Keane, Zayas & Potts: There are still pending four important suits under the Sherman Act in which the charges against the corporations are almost identical with those filed against the Steel Trust, and which, it now seems probable, may be decided in the same way. The defendants in these suits are the American Sugar Refining Company, the American Can Company, the Corn Products Refining Company and the International Harvester Company. The stocks of all four advanced sharply on the Steel Trust decision.

HARPOONING THE MONSTER OF THE DEEP.
—*Chicago Herald.*

* * *

Combination Necessary in Foreign Trade.

THE fact is well known that the Federal Trade Commission has such plenipotentiary powers over the business of this country that an unwise or demagogic use of them might seriously unsettle and disorganize established conditions; but the first notables activities of this Commission are of a constructive nature. It has been taking testimony from leading business men in regard to the relation of the Sherman Law to foreign trade. There was general agreement among exporters that combination was necessary to insure success in foreign fields. The following extract gives the views of H. P. Davison, of J. P. Morgan & Co., and of John D. Ryan:

"Some form of combination of our business units must be devised if we are to do much in the foreign markets. Combination would make it possible to cut down costs and effect concentration."

"Would it be possible to stop the firms from doing in the local field what they would do in the foreign field, if they were organized?" asked Chairman Davies.

"Yes," replied the witness. "The field would be different, the purposes would be different, and the risk would be a deterrent."

"You think there would be no difficulty in financing these undertakings if such combinations in foreign trade were permitted?" inquired the chairman.

"None whatever," was Mr. Davison's reply.

John D. Ryan, president of the Amalgamated Copper Company, gave it as his view that the only foreign trade the United States has worth speaking about is that obtained through the big corporations, such as the Standard Oil Company, National Cash Register Company, and the American Harvester Company, which he described as virtually combinations for the carrying on of foreign trade.

Mr. Ryan declared that the very size of these corporations made it possible for them to blaze the way for American trade abroad, and argued that they were a benefit to smaller firms in other lines desiring to enter the export field.

* * *

Currency Depreciation as a Bull Factor.

IT is a well-known fact, and one amply demonstrated by history, that currency depreciation results in rising commodity prices and indirectly in higher prices for stocks. Many bankers consider that the present very low rate of exchange on all European countries reflects depreciation of their currencies as compared with the value of gold. Haliburton Fales, Jr., thus emphasizes the effect of foreign currency depreciation on stock and commodity prices in this country:

As a force, currency depreciation has undoubtedly already begun to work. It naturally first evidences itself at the seat of trouble. European commodity prices showed a 10 per cent. increase for December over the time when the war broke out, and they have since gained an additional 20 per cent., so that they are now the highest since 1868. Prices here are no doubt prepared to follow Europe's lead.

Already the rate of exchange on England represents a premium on gold of 2 per cent., on Germany of 13 per cent., on France of 4.5 per cent.; other countries run as high as 20 per cent. The value of their paper credits has therefore risen so that it should take now about $120 to buy the same amount of goods for which $100 was formerly sufficient. This depreciation has just begun in its intensity—one month of war today costs much more than a month of war near its commencement.

Since July 1 our excess exports to England up to April 1 were $605,000,000, as against $285,000,000 for the similar period a year ago. This country is drawing down the world's supplies of gold. At present our trade balances represent the proceeds of spot sales; payment for contracts of war supplies, and future requirements of food stuffs, etc., is yet to be made.

As a result of these export balances, of generally stagnant trade, and of the changes in our banking laws, the banks have by several times the largest reserves in their history. The banks of New York alone could support a loan expansion of about $1,000,000,000, and the rest of the country twice as much again without calling upon the Federal Reserve banks for a penny.

A strong cash position, backed furthermore by the potentially inflationary currency means this country could independently support an enormous upward movement of general prices. We believe it is coming, and coming soon.

* * *

Era of Speculation Now Impending.

RISING prices, whether as a result of currency depreciation abroad or not, may be surely reckoned on as generating a broad speculation. This phase of the situation has been much commented on:

Harris, Winthrop & Co.: An era of world-wide speculation seems impending; in Europe it will be due to the inflation of paper; in the United States to the super-abundance of gold and the expansion of credit made possible by the new banking system. Such periods of speculation invariably accompany war. War means change, and speculation is an effort to foresee change; it has been defined by Justice Holmes of the Supreme Court as "the adjustment of society to the probable," and in the past the counsels of conservatism have been powerless to restrain men from attempting to profit by such radical readjustments as are now impending.

SECURITIES TURN UPWARD.
—*Minneapolis Journal.*

A SWEET SPRING SONG.
—*Beaumont (Tex.) Journal.*

Theodore Price, in Commerce and Finance: The speculation, advancing prices and apparent prosperity are incident to all great wars, is probably due to the inflation by which they are always accompanied.

In Germany the inflation is now reflected by a premium of from 12 to 15 per cent. for gold and great speculative activity is already reported on the Berlin Bourse. In Paris, symptoms of the same inflammation of the public mind have commenced to appear within the last two weeks coincidently with a premium of four to five per cent. on gold.

In the United States, every million dollars of gold that arrives from Europe or Japan is multiplied at least five times by the Federal Reserve system in the addition it makes to the already huge unlent and lendable surplus of our banks.

The speculative energy that is so accumulated is enormous, and whether we have peace or war we doubt if it will be possible to restrain it much longer. War would justify its immediate release in the activity of military preparation, and peace would give an impulse to reconstructive enterprise that would enormously accelerate American industry and trade.

Thompson, Shonnard & Co.: The market has withstood the unprecedented crisis of a world-war, months of business depression, the liquidation of our securities by nearly every other country in the world, temporary paralization of our cotton industry and countless other important adverse factors. Viewed broadly, the market is resting on a Gibraltar of technical strength.

Big Price Movements Since Civil War.

MANY experienced observers of stock market phenomena believe that we are now in the early stages of a prolonged upward movement, based primarily upon the fact that the belligerent nations must draw on us for immense supplies for a long time to come. In this connection the following table showing the long swings of the average of ten selected stocks since the Civil War, compiled by the *Wall Street Journal* is of interest:

Movement.	Prices.	Dates.	
Depreciated to	47½	Apr.-May	1861
Appreciated to	161¾	Apr.-May	1864
Depreciated to	92	Mar.-Apr.	1867
Appreciated to	107¾	May-June	1869
Depreciated to	34¼	June	1877
Appreciated to	114	May-June	1881
Depreciated to	58	Jan.-Apr.	1885
Appreciated to	106⅛	Jan.-Mar.	1892
Depreciated to	74⅞	August	1896
Appreciated to	174	Aug.-Sep.	1902
Depreciated to	127⅞	Aug.-Sep.	1903
Appreciated to	212	January	1906
Depreciated to	122	November	1907
Appreciated to	202	August	1909
Depreciated to	172	July	1910
Appreciated to	186	June	1911
Depreciated to	170	Sep.-Oct.	1911
Appreciated to	198	Sep.-Oct.	1912
Depreciated to	173	June	1913
Appreciated to	184	January	1914
Depreciated to	155	December	1914
Appreciated to	169	April	1915

The ten railroads used in compiling these approximate prices are as follows:

C., C., C. & St. L.; Delaware & Hudson; Delaware, Lackawanna & Western; Erie; Illinois Central; Lake Shore; Michigan Central; New York Central; Reading; St. Paul.

* * *

Who Rigged Rock Island?

THAT is what the Interstate Commerce Commission wants to know, but so far the culprit has not been located.

This is what happened: Shortly before the filing of the receivership the stock advanced from 20 to 39. Ogden Mills observed this with much surprise and sold 8,000 out of his holdings of 10,000 shares at 36. He did not believe that either Daniel G. Reid or Judge Moore had anything to do with the advance.

The receivership papers had been drawn March 29, before the sky-rocketing of the stock took place. They were filed April 20 by Roberts Walker, the road's attorney, without formal action by the Board of Directors. Mr. Walker had, however, consulted several of the directors individually. Robert P. Lamont, president of American Steel Foundries, made application for receivership because his friend, Silas H. Strawn, had told him that Walker wanted to get some creditor to demand a receivership. Walker drew up both the receivership application and the road's reply.

One of the directors, N. M. Amster, asserts that when the road went into receivership he had practically made satisfactory arrangements for the necessary money to tide the company over. J. H. Harding, of the brokerage firm of C. D. Barney & Co., states that neither Reid nor Moore bought or sold 100 shares of Rock Island through that firm since Jan. 1.

So you land where you started, with the question, Who rigged Rock Island? Or was the price self-actuating, so to speak?

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Railroads Begin Buying Cars.

THE railroads, which for many months have been practicing the most rigid economy in their purchases of equipment, are beginning to see the need for more cars and locomotives to handle the business likely to be offered. The *Wall Street Journal* compiles the following table showing orders placed monthly in 1914 and 1915 to date:

	1915.		1914.	
	Cars,	Locomo.	Cars.	Locomo.
January	3,182	50	10,000	43
February	4,050	47	13,500	139
March	1,650	109	8,000	167
April	1,165	18	10,000	127
May	19,000	110	7,500	121
June	....	..	16,000	50
July	....	..	7,000	99
August	....	..	4,400	45
September	....	..	500	17
October	....	..	1,000	88
November	....	..	1,110	60
December	....	..	900	35

Railroad orders, together with war orders and the ordinary miscellaneous business, are generating a more optimistic feeling in steel and iron circles:

People's National Bank of Pittsburgh: Orders already in hand and in prospect have produced a better feeling among equipment manufacturers and steel men generally than has existed in more than a year. These orders come on top of those booked or under negotiation for European and other foreign railroads. Locomotive, car-building, air-brake and electrical plants engaged in filling orders for arms and munitions have been compelled to install considerable special machinery. They have also been compelled to make temporary shop additions, although a large part of the regular facilities is still only partially employed. The new railroad orders are therefore a welcome accretion.

H. P. Taylor & Co.: The re-entry of the railroads into the supply and equipment markets is due to the undoubted fact that the factors which made for financial uneasiness and industrial inactivity a few months ago have disappeared. In their place the country now witnesses (1) unparalleled foreign demand for our foodstuffs; (2) for our mill and factory products, including notably war munitions; (3) a larger trade balance to this country's credit with foreign countries than ever before known; (4) an unprecedentedly strong financial position at home; (5) a substantial promise of enormous crops, and (6) an unwonted absence of anti-corporation political agitation.

* * *

Credit Limit on the War.

BEFORE the war the combined funded debt of Great Britain, France, Germany and Austria was something over $17,000,000,000. War loans since the beginning of hostilities already aggregate nearly $10,000,000,000 and war expenditures are rapidly increasing. By the end of this summer the total debt of the principal nations of Europe will have been substantially doubled.

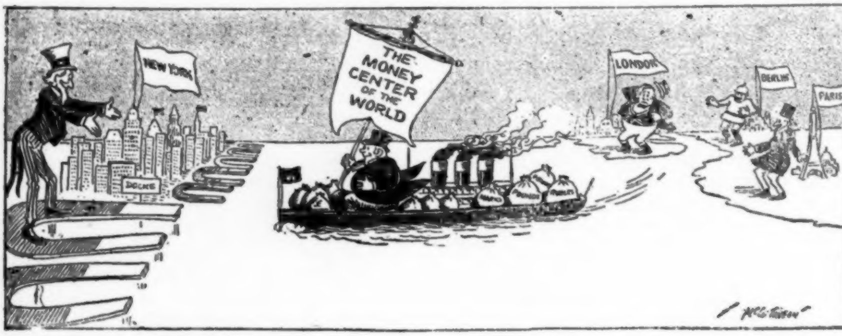
How long can this go on? So far there has been little question of the ability of these countries to pay the interest on their obligations; but if the war continues another year the question will be, not how much can Europe afford to borrow, but how much more it is safe to lend her.

William Smitton, of Glasgow, summarizes in the London *Economist* the

total assets and liabilities of the Banks of England, France, Germany, Russia and Austria, showing increases during the past year. The growth of liabilities is not yet threatening—but what will be the situation in another year?

This table, which is most illuminative, shows an increase for the present year which is nothing short of startling to the average investor who may be called upon later to take up the bonds of these nations. It is food for thought.

	Dr. Liabilities. Total Increases in 1915.	Cr. Assets. Total Increases in 1915.
Note circulations ...	£651,500,000	....
Advances and discounts	791,000,000	....
Gold in hand........	....	£149,500,000
Deposits and current accounts	....	273,000,000
Grand total	£1,442,500,000	£422,500,000



FINANCIAL LEADERSHIP COMING OUR WAY.

—*Chicago Tribune.*

CORPORATION PUBLICITY

CORPORATIONS in this country seem to enjoy peace and prosperity in proportion to the publicity they give to their affairs. By taking the public into their confidence they disarm suspicion and make friends. Competition does not regulate prices in the case of public service corporations and some others that enjoy practical monopolies. If the public does not know, it suspects that the corporation is getting the best of the bargain. Secret intrigues and secret treaties plunged Europe into war last August and are still adding fresh belligerents to the number originally involved. Secret deals of large corporations have been the cause of most of their woes in the last quarter of a century.

The days have gone by when private corporations could tell the public that it had no right to pry into their affairs. The right of privacy was well founded but it did not wear well. The people are too strong in the United States to be refused anything even when they have no moral claim to it. Corporations must accommodate themselves to conditions, and the easiest and surest way to satisfy the public is to tell it what it wants to know through the newspapers. Even labor ceases from agitating when the incorporated employer publishes statements showing that higher wages cannot be paid. The largest industrial corporation in the country has reduced its labor troubles in proportion to its increased publicity.—*N. Y. Commercial.*

Money and Exchange

Gold Flows to New York—Our Foreign Trade Position—Bank Clearings Growing

FOR six months there has been nothing to record except "No change" in the money market, and there seems to be less reason for a change now than heretofore, since surplus reserves keep piling up. They are now over $188,000,000 for New York City clearing houses members. Under such conditions minimum rates for money will continue.

Foreign exchange rates also show no disposition to rise from their low level, and this in spite of the fact that up to June 5 the United States had imported $98,000,000 gold since January 1, breaking all records for the corresponding period in previous years. Of this $39,500,000 came across the Canadian border, $37,000,000 was received at New York, $14,500,000 at San Francisco and the remainder at other ports.

It must not be forgotten, however, that these big imports represent the return of part of the gold exported from this country in 1914. From May to December we sent out $203,500,000 gold in 1914. Hence we have not yet received half of it back. To Canada we shipped $102,300,000, largely as a result of the special agreement with the Bank of England. Of this $53,000,000 has been returned.

It seems clear that further gold will be imported unless the Allies arrange for a special credit here to cover their tremendous purchases of war material. This credit is constantly rumored but so far has never been definitely announced. Our exports and imports of merchandise since last July have been as follows month by month (in thousands):

1914-15.	Exports.	Imports.	Excess of Exports.
July	$154,138	$159,677	*$5,538
August	110,367	129,767	*19,400
September	156,052	139,710	16,341
October	194,711	138,080	56,630
November	205,878	126,467	79,411
December	245,632	114,656	130,976
January	267,879	122,148	145,730
February	299,805	125,123	174,682
March	299,009	158,040	140,969
April	294,470	160,576	133,894
Total	$2,225,548	$1,374,189	$851,358

*Excess of imports.

The excess exports of $851,358,000 for the ten months not only break all previous records but exceed the total for any previous full fiscal year. It is worth noting that this great increase in our favorable trade balance results about equally from increased exports and decreased imports. Exports for the ten months were 8.8 per cent. over last year, while imports were 12.5 less—1913-14 having been a record year for large imports.

As yet only a small part of the goods manufactured on war orders have been shipped; hence our excess exports for the fiscal year to June 30, will evidently be between $1,100,000,000 and $1,200,000,000. The customary offset of money spent by our tourists in Europe will be very small this year, and even our interest payments on foreign holdings of our securities will be reduced—some of those holdings having been sold back to us.

Under such conditions foreign exchange must remain very low, unless Europe should borrow here on an enormous scale. For Europe to attempt to send us gold enough to even up the score would reduce the holdings of foreign banks more than could safely be contemplated. Some form of credit will have to be arranged for, if exchange is to be prevented from going to yet lower figures before 1915 is over.

Bank clearings for May were the largest for that month in ten years, with the single exception of May, 1912. A considerable part of the increase was due to activity on the Stock Exchange, as is shown by the fact that clearings outside New York City were smaller than either 1913 or 1912, although slightly more than for May, 1914. Outside clearings were smaller than either April or March, but this is merely a seasonal decrease resulting from the completion of spring payments. Judging from clearings, business throughout the country did a little better than hold its own during May. Reports for June so far indicate a further slow gain.

BOND DEPARTMENT

What to Avoid in Buying a Timber Bond

Ventures in Timber Bonds

By MONTGOMERY ROLLINS, Author of Money and Investments; Municipal and Corporation Bonds, Etc.

WE look upon timber bonds as being somewhat of a new venture into the intricate world of finance, and, in truth, they are such. Nevertheless, the custom of lending money on timber lands in the form of an ordinary real estate mortgage is old enough, as we Americans count time in our changing hustling world.

But as the smaller business of lumbering dependent upon the portable sawmill mostly gave way to handling of immense tracks under centralized ownership, with permanent mills and railways, greater sums were needed; far too large for a single investment. Thus, about fifteen years ago, the bond plan was resorted to, that the loan might be divided among the many.

And this class of loans, if properly safeguarded, should be among our better securities, for the property behind the mortgage is a staple, marketable product. But, sad to relate, it is feared that much trouble is in store for those who have gone too far afield in their handling of these affairs. The West built for itself a boomerang in the farm mortgage craze that reached its climax in the early "nineties," and we are but now struggling to port with bulk-heads closed against a flood resulting from the shock of the recent irrigation bond fiasco—although, forsooth, it was often a lack of water that ran us aground in that picturesque financeering, rather than too much. And are we now, as many surmise, headed for the bursting of another bubble—the timber issues?

It need not have been, as we shall try to show.

The first issues put out were remarkably good, but they were compelled to stand a strong litmus test—that of the expert lumbermen themselves who could not be deceived by false values—for those experienced men were necessarily the first outlet for such bonds, as they were then little understood by the outside moneyed world. The lumbermen's example was contagious, as well it should have been, for, indeed, the commodity they handle should furnish some good loaning basis. So outsiders gradually entered the list. Thus, 'ere long, a regular flood of timber bonds deluged the market. A remarkable rise in timber values incident to a continued prosperity in the industry aided much to such an end. Investors and bond houses were alike misled, or, mayhap, imposed upon, for, in many cases, the lumberman took the whip hand and dictated the terms of the mortgage to the banker, who, possibly from inexperience in a very intricate field, or, again, because of keen competition among certain houses seeking these issues, was plastic in the hands of the hard-headed timber owner. Anyhow, it is believed to be a generally accepted fact that a good many companies sold their properties, as it were, to the bondholders at fancy figures, and held on to such equities as existed, or,

in any event, temporary additional profits, through their stock ownership.

Another factor of evil import crept into the business through some of the bankers having seen so much money gained in the lumber industry that they tried to play both ends, so to speak. In other words, they were interested in the timber properties which they were financing, thus their judgment naturally became warped; not well for the interests of the investor.

But it is within the bounds of reason to suppose, even under those circumstances, that they might have weathered the gale, if—and the if relates to the time-honored enthusiasm of boom times—the halcyon days of the business period preceding 1908 or 1909 had gone on. But such things never do. During that period, there was a phenominal rise in timber values throughout the land; so steady and rapid that even lumbermen, to say nothing of the less experienced banking houses, grew to believe that there was no top to the market price. But the pendulum, as all pendulums do, reached the end of its outward swing, and now, for several years, prices have been sagging, bringing properties into the market at figures so low as to have been laughed at in the boom times preceding.

After all, the rise and fall in market value is part and parcel of most enterprises, and, no doubt, it is quite unfair to attribute too much of the unhappy results, which have befallen many purchasers of timber bonds, to that cause, nor to the mishandling of the issues.

An entirely wrong principle was injected into the financing that played, and is playing, a tragic part in the scheme of thing. Other issues have suffered from a like cause, but the very nature of the security brought it more into play in the case of timber bonds. In a word, in order to tempt the investor, an unwise bait was dangled before him in the form of a too large sinking fund, or serial maturities; the unthinking purchaser believing that the safety of the investment increased with the rapidity of its retirement. Very unsound reasoning, and one of the greatest perils of the timber issues! If the amount of principal and interest due yearly is greater than the company can meet, without being forced to an uneconomical marketing of the product securing the mortgage, what boots it to have such a pernicious sinking fund or maturity clause in the mortgage? The investor's interests are not safeguarded, and such an issue is poorly financed. It is true that the holders of the earliest maturities, if it be a serial issue, may receive their money back, but it is the issue as a whole with which we are dealing, so the principle does not change. Many believe that one great factor which led to the market becoming glutted with an oversupply of lumber was just this matter of too large sinking fund or serial redemptions, planned with the idea of increasing the salability.

All this is not to be taken as an argument against some method of sinking fund payment where the property securing the loan is being lumbered. In fact, in all mortgages based upon natural resources which, in the nature of things, are being exhausted —mines, oil wells, quarries, timber lands, and the like—it is a well-understood principle that there shall always be some form of redemption that will retire the loan well within the life of the property pledged for its payment. And, in this connection, one should not allow himself to place too high a sentimental value on a timber property because of threatened waste of our heritage, giving token of a future scarcity of wood. This is not likely to occur within the life of the ordinary timber bond issue. Avoid taking future values into consideration at such times.

Thus a reasonable amount of an issue of this class should mature annually upon tracts that are being cut or a sinking fund provided to accomplish the same end. Where the property is not being lumbered, a long term mortgage may be the better plan, although it should contain a clause providing that, in case lumbering begins

redemptions shall also begin, or a sinking fund become operative proportionate to the depletion in the values.

The writer strongly leans towards the serial form of payment as opposed to that of the sinking fund, but as both are in common practice, we will briefly consider each.

The common practice, if the sinking fund plan is followed, is to provide for payment into the trustee of a certain amount for each thousand feet or cord of lumber cut and sold. But here we discover a movable factor which suggests that one should not be beguiled into the optimistic belief that succeeding years may see as great a production as at the time under consideration, the falling off of which would lead to a smaller sinking fund. However, if the lumber were not cut the security would not be lessened, and no forced marketing of the assets would be needful as in the pernicious form of sinking fund previously mentioned.

Under the serial method, a fixed amount of bonds falls due yearly, regardless of the output.

Another form of sinking fund makes provision for the periodical buying of additional stumpage to offset that cut. The objection here, to what might otherwise be as good a plan as any so far as ultimate safety is concerned, is that it places too much reliance upon the good faith and ability of the officials of the company, who might purchase timber inferior to that which has been cut.

Where the amount of the sinking fund depends upon the volume of the marketed product there may be the possible objection of being subject to the integrity of the company's officials, unless a regular audit of the accounts is required. Besides this, a not over-particular management would find it possible to select and cut the more choice tracts first with results naturally undesirable.

It will be seen that a serial form of payment does away with the many possible objections to which even the best of sinking fund plans is vulnerable. The only real objection that would seem to be a valid one against serial redemptions would be the danger of making such redemptions larger than economic management could provide for, as already suggested.

In a limited paper of this nature it would be quite beyond the limits of possibility to discuss the many features necessary to the drawing of a mortgage for the proper protection of the bondholder. So, after all, if one desires to invest in timber bonds—and it is repeated here that there is no reason whatsoever why an excellent security of this kind should not be obtainable—we must again employ that old hackneyed advice that a good deal of reliance must be placed in the character of the bondhouse offering the securities. Personally, the writer would not be satisfied with the statement that a house had made a specialty in bonds of this nature. It would seem more desirable to seek an old established house, which has had the wide experience incident to the handling of corporation issues of all kinds, for it must be evident that only in such a training can the vast general information and experience, necessary for the protection of a bondholder, be acquired.

Having briefly discussed the nature of the security and some of its pitfalls, let us, for a moment, turn to the practical end of the proposition, such as the examination of property, its valuation by timber experts, etc.

In the earlier days of this business the "timber bond cruiser," as he is called now, was the more crude old "lumberman's cruiser," with headquarters in a tent in the woods, and whose duty to get reliable and conservative facts for his employer was generally well done. Undoubtedly, he was a more reliable and careful checker than most of his successors with elaborately furnished offices in our metropolitan centers. These latter gentry would hardly be in sympathy with the statement that "the foundation of this country's wealth and greatness were laid by people who consumed pie and doughnuts for breakfast, dinner and supper."

It is worthy of consideration that timber, be it ever so good, may profit the owner but little without good milling and market facilities. Consequently, a good milling site, together with practicable rail or water transportation, and such as are necessary that the output may profitably be converted into money, are all essential.

Many enthusiastic circular writers, having timber bond issues for sale, adorn their literature with glowing facts as to the future value of the land itself, sure to follow the stripping of the standing timber. There are plenty of examples to which they can profitably refer, but they should not be allowed to argue too optimistically therefrom for the future, because the values which would now be placed upon timber properties as security for bond issues are so much in excess over the cost of such properties when acquired many years ago at prices immensely below those reigning in more recent years. Where the original cost of the timber was so low as to have created many of our rich "lumber kings," it is no wonder that, occasionally, the land itself has been sold at a figure higher than the original cost of the whole property. But, aside from all this, the character of the soil underlying the growth is a most important feature, if the land is to be considered as an asset, to say nothing as regards its location from a transportation standpoint.

The fire hazard is a bugbear, however, from which the dealer in timber issues has suffered beyond his dues, because of the many objections that have been harbored by the investing public towards his wares from a dogged belief that these bonds are more than ordinarily risky investments, on account of the likelihood of the property being wiped out by a conflagration.

Naturally, considerable risk does exist, but it has been in some ways upon the decrease, owing to government and State fire patrols together with the general education of the public, all added to the self-protective desire of the lumber companies against such a devastating scourge.

Nevertheless, because of the railroads extending their tracks farther into the wilderness, spreading sparks in territory previously unused to the shriek of the locomotive whistle (oil burning engines greatly improve this condition); on account of the growing use of the type of cigarette which consumes itself to the last ash after it has been thoughtlessly thrown aside; on account of the commendable increasing trend towards camping life; and for other reasons, the fire hazard has actually increased in some respects and the area of such risks has likewise enlarged.

Taking both sides of the matter, we shall conclude that, in many stands of timber, it is practically impossible to eliminate all elements of such a risk, although, at many times, it is greatly reduced, if the bond issue covers several widely separated tracts.

On the other hand, it is fair to say that no large bond issue has thus far been put in jeopardy by a devastating fire, although, perhaps, such catastrophes have only been averted by prompt action, and the bondholder none the wiser.

Let us sum this whole subject up in the thought that it must be economically unsound that one should lend money upon property where the contract demands its depletion in intrinsic value that the loan may be paid off. This principle is antagonistic to common practice, for most other corporations contemplate the liquidation of their indebtedness from earnings, rather than through a reduction of worth of the property.

An ideal issue, which came to the attention of the writer, was where the debt was secured by mortgage upon a segregated tract, the mortgage providing that, while the issue was outstanding, no timber should be cut upon the land given for security. Another company guaranteed the issue in question, and the guarantor agreed upon a deposit with the Trustee of so much per thousand feet of its cut on additional land so that the debt might be paid

without any detriment to the property pledged as security.

Many years ago, there appeared a book in which the author ridiculed superstitions in general. However, when he ended his argument, he declared that. after all, he much preferred to see the moon over his right shoulder. With somewhat the same inconsistency, the writer of this article is bound to say that, in spite of all the foregoing, many issues of timber bonds have been put out which in but few respects met its rigid requirements, but which have, nevertheless, been promptly paid as to both principal and interest, and doubtless many more will have a like happy outcome.

The attempt here, therefore, has been to suggest lines of a precautionary nature, which it might be well to follow in investments of this class.

Bond Market Topics

An Emergency Brake on the Bond Market

FOR months past the bond dealers had been working with might and main to clear house of bonds they had on the shelf for quite a time. They had succeeded pretty well, and with conditions shaping up as they were about a month ago, were about ready to launch a new campaign. Every sign indicated success. Money conditions augured for a big bond market over the coming months. Investors had plenty of money to put into securities. Furthermore sentiment created by the strong and advancing stock market was good.

It was only a question of time when the activity and buoyancy of the stock list would be carried over in full force to the bond list, and then there would be a sympathetic advance in prices all along the line.

Every symptom was interpreted by many of the bond houses as the foundation for aggressive action in the investment market. As a matter of fact a number of the larger houses had bond circulars in the printers' hands, and some had circulars on new issues of stocks ready when the crash in the stock market, due to the *Lusitania's* destruction, stopped the wheels of progress. Instantly orders went out to hold up the printing, and all arrangements for active bond campaigning were suspended. It was as though an emergency brake had suddenly been applied to the situation.

The crash in the stock market brought the bond business almost to a standstill. New issues were side-tracked, and trading in old issues simmered down to a minimum. It was just a spasm of lost breath, however. which is now disappearing. Just how long investment dealers will wait before launching out into the deep again will depend on the turn of affairs. From the looks of the security markets as this is written, it seems new courage and confidence is coming.

Bonds Down at Rock Bottom Prices Again

WHENEVER the stock market has a bad time of it from some unnatural cause like the sinking of the *Lusitania*, away go bonds with it. This time they went down nearly two and one-half points on the average, while the stock market slumped nearly ten points. The result of this spell was to bring bonds down again to a level that is really inviting. It brought the average of twenty-five standard issues down to a point below the panic level of 1907.

The bonds of course have been none too strong for several years, due to the supposed or actual decline in railroad credit, but the war, and latterly the *Lusitania* incident, have served to drive prices down to bargain levels again. To be sure, some of the bonds, the prices of which are used to make up the average used are abnormally low due to special troubles, as, for instance, Rock Island issues, but others are really low compared with their worth and possibilities.

Among these are such as New York Central 3½s, Southern Pacific refunding 4s, Union Pacific 1st 4s, Chicago & Northwestern general 3½s and others.

If we take only those bonds which have not been unduly depressed, the average will be somewhat higher. But at that, such bonds as the above mentioned are almost certain to have a very substantial appreciation.

The active bond trader that can follow the stock market can make a tidy increase in his income by picking up the securities that are affected by its ups and downs—and they are quite a few.

It is now time to go searching through the long list for just such opportunities, and the careful student of bond values will be well rewarded for his pains.

AFTER the selection of the bonds for your investment, the most important consideration is the responsibility of the bank or dealer who investigated, purchased, and stands back of the issue.

Bonds Affected
by
Freight Rate Increase

Possibilities of Profit in Issues of Roads Benefiting

By Frederick Lownhaupt, Author of Investment Bonds, etc.

IN all the freight rate talk of the past five years nearly every one thought first of what advanced rates would do for the stocks of the roads affected. The larger public concentrated its attention on the stocks rather than the bonds of these roads. The possibilities of profit in bonds, which come ahead of the stocks in their claim on earnings, seem to have been neglected.

The general level of railroad bonds is not nearly so high as it has been in times past, so, of course, there are opportunities here and there in the list. There are always bonds that seem to be selling out of line with their fundamental position, or else especially cheap because of other reasons.

A great reason why some bonds have been selling rather cheap has been the necessity for increased revenue to give them a wider margin of safety. Five years ago the railroads went to the Interstate Commission with their complaint of the necessity of higher freight rates. After three years they returned with the same story and then were successful in part.

Last summer the Commission, after much consideration of the question, gave ground and allowed a full 5% on much of the traffic on one group of railroads in the middle West. All those roads in what is known as the Central Freight Association got this advance. The lines benefiting were those included roughly in an area bounded by lines running from Buffalo, N. Y., through Pittsburg, Pa., down to the Ohio River, thence along the river west to the Mississippi, up the Mississippi to Peoria and over to Chicago. A map of the territory is shown.

Wholly in this territory are some of the poorest roads in the country; poor, very largely, because they have suffered from ruinously low freight rates for many years. The Commission recognized this in the following way in its comment on the application for advances:

> The Commission finds that the rates in Central Freight Association territory are not only lower than rates in either Trunk Line or New England territory, but that they are lower than rates found elsewhere in any part of the United States.

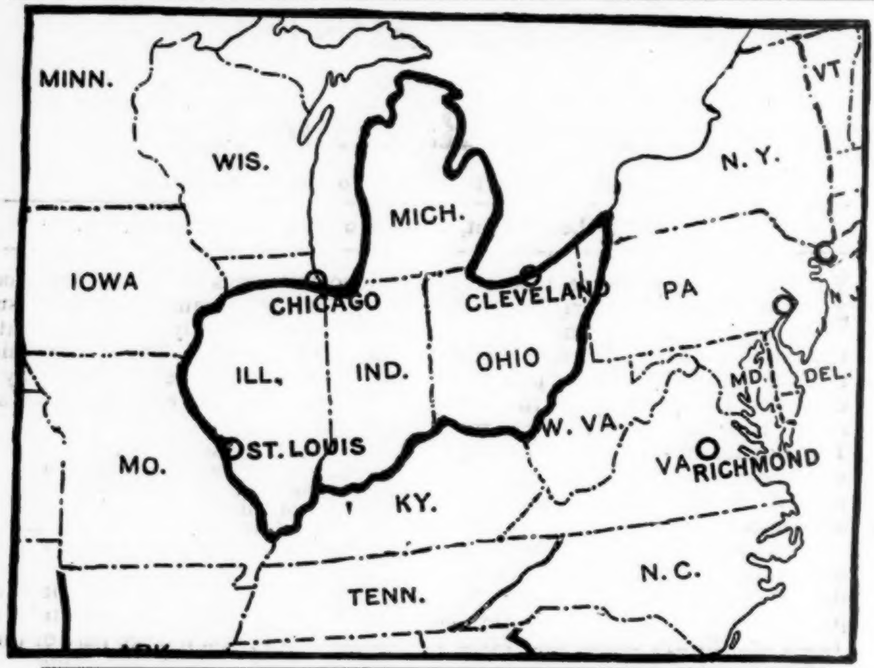
Accordingly, the Commission allowed the roads in this territory an advance of 5% on a large part of their freight traffic, which, according to a fair calculation, works out in increased revenue approximately as shown in the following table. As illustrating what the effect has been on a number of these roads, the increase in net earnings over the nine months' period ended March 31 is also given. Along with this exhibit is also given a list of other of the stronger roads which push into that territory, and which have benefited even more than the poorer ones wholly within its boundaries.

But the story of the 5% increase is not the whole story from the point of view of the man who is looking for possibilities in cheap bonds.

The Commission fully recognizing the poverty of the roads in Central Freight Association territory had this further to say:

> There can be no doubt upon the record that the carriers in C. F. A. territory ought, in the public interest, to have as much additional revenue as would be produced by a 5% increase, and possibly more.

and accordingly recommended an "adjustment" of the freight rates of the



On the Basis of the 5% Already Granted

Roads expected to benefit to the extent of $100,000 or more annually (entirely in Central Freight Association territory)

	Approximate Amount of Additional Rev. to Be Gained, Based on an Average of 1913-1914 Freight Rev.	Net Earnings for 9 Mos. of 1915 Yr. Compared with Same Period 1914.* Increase.
Chicago & Eastern Ill.	$360,000	......
Chicago, Ind. & Louisville	195,000	......
Cin., Hamilton & Dayton	240,000	$200,000
Elgin, Joliet & Eastern	320,000	......
Pere Marquette	475,000	2,544,340
Toledo, St. Louis & West	140,000	......
Wabash Railroad	800,000	175,575
Wheeling & Lake Erie	120,000	......
Partly in Central Freight Association Territory		
Baltimore & Ohio	$1,125,000	......
Chicago & Alton	210,000	......
Cleveland, Cin., Chic. & St. L.	1,000,000	$3,672,204
Erie	650,000	......
Illinois Central	915,000	......
Lake Shore & Mich. Cen. & N. Y. C.	4,000,000	......
Michigan Central	1,000,000	1,078,916
New York, Chic. & St. Louis	500,000	35,968
Penna. Co. (Pennsylvania Lines West)	1,250,000	......
Pitts., Cinn., Ch. & St. L. (Pennsylvania Lines West)	1,100,000	191,543
Vandalia (Pennsylvania Lines West)	200,000	......

*All roads not shown as increasing their net had a decrease.

roads. This "adjustment" is now going on and is taking shape in the form of a request to be presented to the Commission for another substantial allowance in freight rate advances. If this is granted the original increase will be doubled and many of the roads will be nearer than ever to their financial salvation.

This second increase applies almost entirely to those roads wholly in the C. F. A. territory, which are shown in the first table given. Assuming that they will be allowed such an increase, to take effect possibly early in 1916, the following results would appear in respect to the amount of revenue derived and also in relation to net earnings.

It would be too much to hope that form of greater net earnings? The table on this page shows by comparison which may be considered as cheap. It is not to be expected that the possibilities in any of these bonds is like the possibilities of the stocks of some of these roads, but there are, nevertheless, some opportunities among them.

They vary, of course, in their possibilities as they vary in the inherent degree of investment work. Some of the weaker ones are down at a point where a substantial advance would mean a good profit. Some of them are possibly below a fair valuation and the slimness of their margin of safety together with the weak rate situation that has existed has given them a level in the investment market that is not in keeping with other issues in other parts with no better security.

Approximate results if ADDITIONAL increase should be granted equal to the first increase of roads *strictly in the Central Freight Association Territory:—*

	†Net Earnings, 1914.	Fixed Charges, 1914.	What Net Earnings Equal to 1914 Would Be, Plus the Total Increase.
Chicago & East Ill.	$3,666,466	$4,559,492	$4,386,466
Chicago, Ind. & Louisville	1,959,559	1,480,770	2,349,550
Cin., Ham. & Dayton	558,868	3,908,751	1,038,868
Elgin, Joliet & East	3,622,923	3,054,634	4,262,923
*Pere Marquette	......	......	......
Toledo, St. Louis & West	1,823,615	1,480,264	2,103,615
Wabash	6,344,220	7,012,946	7,944,220
Wheeling & Lake Erie	2,426,293	1,559,481	2,666,293

*Earnings so poor comparisons of no value.
†Does not consider accrued taxes.

those lines shown in the second group of the first table such as Michigan Central, Alton, Baltimore & Ohio, etc., will get any appreciable benefit from further increases. If they should be able later on, however, to come in on additional benefits as a result of the second increased allowance, their position would be that much improved.

Effect on Bonds.

So much for the freight rate part of our story. How does this work out in the bonds, and where are some bonds in this group of railroads that look cheap in view of the possibilities of increasing the margin of safety in the

There has been a sympathetic action among bonds of the roads in this group. Judges of investments have not considered them as very desirable investments. The fundamentally weak position has been apparent right along and has only been emphasized and aggravated by the wholesale receiverships in this group. It has only been natural that these bonds should stand at a low level of market appraisal. Even the stronger underlying bonds have suffered more than perhaps was their due.

The advance of bonds of some of these roads over the past year has already reflected the effect of the rate increase. The high prices reached dur-

Bonds of the roads that show an increase in Net earnings due largely to the rate increase:—

	Approximate Present Price.	Approximate High Prices Reached During Past Four Yrs.
C. C. C. & St. L.—		
Deben. 4½s, 1931	84	93
Gen'l 4s, 1993	71	93
Michigan Central—		
Deben. 4s, 1929	83	99
P. C. C. & St. L.—		
(All its bonds are very high grade with a large margin of safety.)		
N. Y. C. & St. L.—		
First 4s, 1937	91	100
Deb. 4s, 1931	79	91
In Receivership:		
Cinn., Ham. & Dayton—		
First and ref. 4s, 1959	88	91
Gold 4½s, 1937	96	101
Wabash—		
Second 5s, 1939	92	107
Other Roads Benefiting:		
Balt. & Ohio—		
Convertible 4½s, 1933	85	97
Prior Lien 3½s, 1925	90	93
Gold 4s, 1948	88	99
Chicago & Alton—		
Ref. 3s, 1949	57	72
Erie—		
Gen'l Lien 4s, 1996	68	80
Prior Lien 4s, 1996	81	90
Ill. Cent.—		
Refund 4s, 1955	87	96
Vandalia—		
Cons. 4s, 1955	93	96

ing the past four years may be expected again. We are almost certain to have a year of large railroad earnings within the next eighteen months, which will be reflected in all the roads under consideration. Given a strong position in earnings, as compared with previous records, plus the additional revenue from one advance on some roads and two advances on others, what is there to stand in the way of an appreciation of from five to ten points in many of the bonds mentioned?

It is a point which the wise investor may profitably consider.

WHEN DIAGNOSIS takes the place of autopsy in the treatment of railway problems, public regulation will become helpful and healthful to the great transportation industry of the United States.—Slason Thompson.

Opportunities in Listed Bonds

By F. M. VAN WICKLEN

NEW YORK RAILWAYS COMPANY

First Real Estate & Refunding Mortgage 4% Bonds, Due 1942. Yield at Present Price, About 6.30%

THE apprehension occasioned by the advent of the jitney-bus has prejudiced many investors against securities of street railway companies, and it is a fact that in certain localities of this country jitney-bus competition has cut deeply into the earnings of the traction systems.

It is extremely doubtful, however, if jitney competition will ever be a permanent factor in Manhattan for obvious reasons, among them the fact that there is no room for them in a city as densely populated and confined within such narrow limits as Manhattan, where the traffic runs practically all north and south, and where adequate transportation facilities are already provided.

The New York Railways 4's, of which there are $16,296,000 outstanding, are secured by a lien on the entire property of the company, subject to $10,800,000 prior liens. They are prior to $30,627,000 Adjustment Income 5 per cent. bonds and to $17,495,000 capital stock. The company operates a majority of the surface street railways of Manhattan and most of its franchises are perpetual.

The Public Service Commission has estimated the reproduction value of the physical property owned by the company at $68,000,000. Against this there are oustanding $10,800,000 prior lien bonds, leaving an equity of $57,200,000 for the $16,296,000 First Real Estate and Refunding 4's. They are thus apparently amply secured.

These bonds are also protected by a fairly wide margin of earnings. For the year ended June 30, 1914, the company reported net income after taxes amounting to $4,442,960. Interest on underlying bonds, rentals, etc., amounted to $2,674,510, leaving a balance of $1,768,450 applicable to the $651,838 interest on these 4's, or approximately three times the requisite amount.

There is no doubt that the fact that the New York Railways is the successor in part of the old Metropolitan Street Railway Co. is still in the minds of investors, particularly those residing in and about New York City. The history of the Metropolitan Street Railway is almost enough to deter anyone from venturing financially into the surface street railways of Manhattan. However, the days of corruption in tractions in New York City are unlikely to occur again on account of the supervisory control exercised by the Public Service Commission.

These New York Railways 4's have all the earmarks of safety as far as anyone can reasonably judge and they look cheap around 70.

NEW YORK CENTRAL R. R. COMPANY

Refunding and Improvement Mortgage 4 1-2% Bonds, Due 2013. Yield at Present Price About 5.15%

THESE bonds have been officially declared legal investments for Savings Banks and Trustees under the laws of the State of New York. They are also free from personal taxation in New York State. They cover as a blanket mortgage, subject to prior liens, the property of the New York Central & Hudson River Railroad and also the Lake Shore & Michigan Southern Railway Companies.

These bonds are followed by the New York Central's recent issue of $100,000,000 Debenture Convertible 6% bonds and by its capital stock. Dividends have been paid on the company's stock at not less than 4% per annum since 1869. There is at present outstanding $250,000,000 stock receiving dividends at the rate of 5%.

Figured without regard to their maturity in 2013 these bonds at present prices net a return of about 5.10%. They do not, of course, belong in the same class with the old underlying legal bonds, such as New York Central 1st

3½s, Northern Pacific Prior Lien 4s, Union Pacific 1st 4s, etc., bonds which yield less than 4½% and which are fast disappearing from the market. They belong to the new group of legal bonds such as Northern Pacific Refunding 4½s, Chicago, Milwaukee & St. Paul Refunding 4½s and 5s, Pennsylvania General 4½s, etc., which, although not as close to the rails as the old issues, nevertheless seem amply protected by earning power. In a good market these issues should sell considerably above their present prices.

Good Bonds
for the
Average Investor

A selection of issues which commend themselves through attractive income, a high degree of safety, and possibility of appreciation in price. The names of bond dealers from whom these issues may be obtained will be furnished on request.

	Interest Rate.	Due Date.	Approx. Yield on Present Price.
Louisville & Nashville (E. & St. L.)	6	1921	4.70%
N. Y. C. & H. R. R. Ref. & Imp.	4½	2013	5.10
N. Y. C. & H. R. R. Conv. Deb.	6	1935	5.75
So. Pac. (San. Fran. Term.)	4	1950	5.30
Atlantic Coast Line (B. & W. Div.)	4	1938	4.55
Chic. & Northwest Ry. General	5	1987	4.45
Oregon Short Line R. R. (Ref.)	4	1929	5.00
Ill., Cent. & C., St. L. & N. O. Joint	5	1963	5.00
Erie (Gen. Riv. 1st)	6	1957	5.75
Florida East Coast Ry. 1st	4½	1959	5.07
Kansas City S. Ry. Ref.	5	1950	5.52
Industrials			
American Agricul. Chem. Deb.	5s	1924	5.95
Nipe Bay 1st	5	1925	5.75
Elk Horn Fuel Co. 1st Conv.	5	1918	6.50
Bethlehem Steel Ref.	5	1942	5.50
Jones & Laughlin Steel 1st	5	1939	5.00
Swift & Co. 1st	5	1944	5.25
Pocohontas Cons. Collieries Co.	5	1957	5.75
Indiana Steel Co. 1st	5	1952	4.97
Public Utilities			
Metropolitan Gas Co. 1st	5	1941	5.35
Southern Cal. Edison Co. Gen'l	5	1939	5.37
Am. Tel. & Tel Coll. Tr.	4	1929	5.20
Knoxville Gas Co. 1st	5	1933	5.75
So. Car. Lt. & Pr. Rys. 1st	5	1937	6.00
Wash. Alex. & Mt. Vernon Ry. 1st	5	1955	5.60
Consumers' Power Co. 1st	5	1929	5.90
Great Western Power Co. 1st	5	1946	6.40
Pacific Gas & Elec. 1st	6	1931	6.00
Southern Cal. Edison Gen'l	5	1939	5.35
Omaha & Council Bluffs St. Ry. 1st	5	1928	5.40
N. Y. & Westchester Ltg. Co. Gtd	5	1954	5.10
Northern Elec. Co. 1st	5	1939	5.40
International Ry. of Buffalo Ref. & Imp.	5	1962	5.38
Rochester Ry. & Light Co. Cons.	5	1954	5.07
Utica Gas & Elec. Ref.	5	1957	5.05
Puget Sound Tract. Light & Pr.	6	1919	6.00
Indianapolis Union Ry. Gen'l & Ref.	5	1965	4.97

PUBLIC UTILITIES DEPT.

The Outlook

ASIDE from the situation in the South, and the jitney competition with street railways, even the darkest of pessimists could hardly find fault with the present public utility outlook. The fact is that in spite of the war collapse of business, which took place less than a year ago, public utility companies are showing general gains in both gross earnings and net income. These gains vary from 3 to 10 per cent. outside of the South, including all such concerns taken together. In the big cities street railway earnings are poor, because a good many manufacturing concerns which employ thousands of street car passengers have not yet fully recovered from the depression. Besides this, some cities, especially in the West, are still suffering gross losses of 1 to 10 per cent. on account of the jitney competition.

Nevertheless, public utility earnings, excluding the South, the Pacific Coast and three or four of the largest cities in the North, are probably showing an average gain over a year ago of about 4 per cent. in gross earnings; and a year ago there was no war. Light and power companies, except in the Far West and the South, are showing general gains of 5 to 8 per cent. This is certainly gratifying, especially when one considers the losses in the business of other corporations. Steel and iron companies are still running more than 20 per cent. behind a year ago. Equipment companies, except for their war orders, are at least 50 per cent. behind. Fertilizer companies are somewhere between 15 and 25 per cent. behind, and railroad companies are averaging about 8 per cent. behind. Never was there a better demonstration of the strength of public utility companies.

It may be seen from the experience of these rather typical companies that the total monthly earnings of public utility concerns in the South were not only declining in April, but were showing larger declines than in March, even though the aggregate March declines were larger than those of previous months. At this writing the May totals are not yet available, but it is practically certain that the improvement, if any, was very slight. The actual position of the South, then, is still very discouraging.

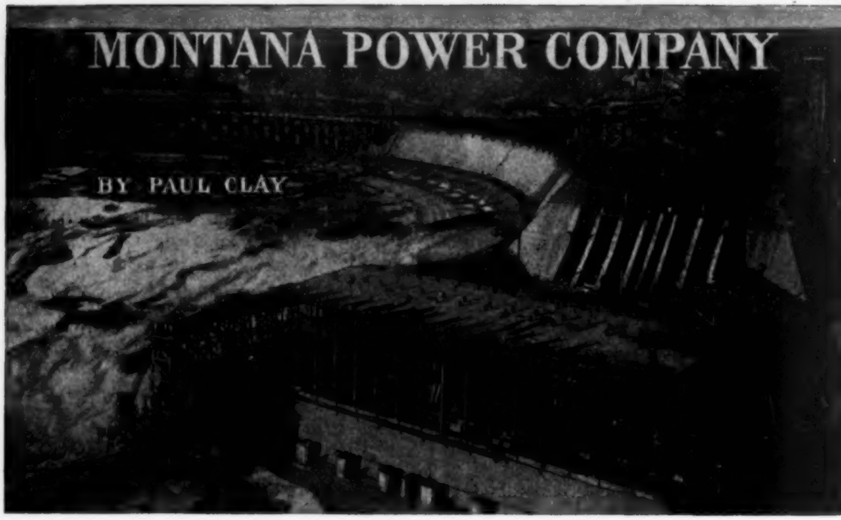
On the other hand, the outlook for improvement is becoming more definite every week. Although official figures will not be available for nearly a month, it is now estimated that the cotton area has been reduced by about 15 per cent., or 5,544,000 acres. If this be planted in wheat or in some other equally profitable crop, it will yield the Southern farmer a net profit above all expenses of about $58,300,000, whereas if it were planted in cotton, the cotton excess supply would be likely to keep the price right down to the cost of production so as not to yield the planter a single cent of profit.

Present indications are that by December or January cotton prices will be back up to normal. Already the monthly average price has made a maximum rise from 6.9 to 10.10 cents per pound. The outlook for Southern public utility companies is therefore not half so discouraging as is the immediate situation.

	April.	March.	3 mos. March.
Dallas Electric	$47,141L	$43,471L	$98,857L
Eastern Texas Electric	1,849L	998G	2,119L
El Paso Electric	4,721L	10,140L	20,873L
Galveston-Houston Electric	43,938L	35,336L	96,723L
Georgia Railway and Power	24,299L	43,691G	150,168G
Northern Texas Electric	47,946L	49,254L	112,350L
Southern Utilities Co.	950G	2,874G	1,155L

MONTANA POWER COMPANY

BY PAUL CLAY



The Great Falls Development—Will Produce 80,000 H. P.

POWER companies have furnished us the greatest romance in the recent history of business. To those who have the understanding to appreciate the effort and brain power which it requires to develop a great industry, this history of power companies is literally thrilling. At every step in it there is a new surprise in the shape of some magnificent development of unobserved water or power supplies, or unappreciated opportunities to sell power to industrial and transportation concerns, or unrealized chances for these concerns themselves to reduce their expenses, or increase their profits by making large purchases of power at moderate rates.

Every now and then some whole new industry springs into existence as if by magic. So it was with the steamship, the canal, the railroad and the trolley company. In each case the new device or invention exactly met the wants of the people, and accordingly it had only to become known to become universally popular. Each of these inventions or industries in their youth grew with astonishing rapidity; and excepting the canal, which has now been displaced by the railroad, each is now such a necessary part of our civilization that we have a feeling that it must have always existed. It is a little difficult to realize that the railroad was once an insignificant and unsucessful competitor with the omnibus, or that trolley lines were so incapable of handling large traffic that no city could attain a geographical diameter of more than two to five miles. Nor is it easy to believe that the steamboat was once the standing joke for cartoonists.

Yet all these things are true, and so is it true that the power company is making enormous strides for the very same reason—namely, that it exactly suits the industrial needs of the country. It renders the electrification of railroads possible and makes it feasible to build and operate manufacturing plants at points remote from a cheap coal supply. Only a few years ago it was almost an absurdity to attempt to run a big manufacturing concern where coal was unobtainable at low prices because the cost of power was so great as to inflate operating expenses, and almost wipe out net profits. But the power company with its utilization of great waterfalls like Niagara, and of the great rivers and lakes of the Rocky Mountains, has reversed all these conditions.

Among these companies none has attained a more striking development than the Montana Power Co. This is a consolidation of several power companies operating throughout the larger part of the State of Montana, and es-

pecially in the Butte district. The territory covered by the company exceeds that of the entire New England states. From Thompson Falls to Billings is nearly 500 miles east and west, while Havre and Ruby, which are the northern and southern terminals of the company, are more than 300 miles apart.

The volume of water available in Montana for conversion into power is so great that the expansion of this company is limited only by the amount of power which it can sell. We are unaccustomed to think that any other waterfall in the United States compares with Niagara; but in fact at Great Falls the water is precipitated 177 feet, whereas the depth of Niagara Falls is only 164 feet. Of this 177 feet, 80 feet represents the height of the dam, while the other 87 feet was the original waterfall of nature. The Rainbow Dam at Great Falls is but one of 13, was completed in 1910, and has a capacity of 36,000 horsepower. It affords a minimum flow of 2,300 cubic feet of water per second.

Ultimately this Rainbow Dam and other developments at Great Falls is capable of producing 80,000 horsepower. Of this some 20,000 will be required for the eastern half of the St. Paul electrification, and about 12,000 will be needed at Anaconda. Thompson Falls, although seldom mentioned in this part of the country, is one of the largest streams in North America, and has a fall of 80,000 cubic feet per second. The Flathead Lake with which it is connected, is the largest in the United States with the single exception of the Great Lakes. At the headwaters of the Madison River, the company owns the rights to a huge reservoir known as Hebden Lake, the shore line of which is 68 miles long. This has a storage capacity of 15,000,000,000 cubic feet and will furnish 115,000 horsepower for 100 consecutive days without a drop of water by the natural fall of the river. The company has absolute titles in fee to all its water powers.

Its transmission lines over which this immense quantity of power is distributed to the St. Paul road, the Butte mines and the various factories and municipalities within its territory, are fully 1,800 miles long, and if placed end to end would stretch from New York to Austin, Texas, by rail. The contract of this company with the Anaconda Copper Mining Co. runs for the life of the mines, and calls for a minimum of 20,000 horsepower per annum at $30 per horsepower. Formerly the Anaconda was paying $53, and the saving represents $2,000,000 per year to the mining company. Here is a reduction of mining costs which will interest the Anaconda stockholder.

The contract with the St. Paul Railroad was made for 99 years, and calls for a minimum of 26,000 horsepower with options on the total of 80,000. By the terms of the contract the road will pay for 60% of the power set aside for it, whether it uses it or not. Besides this, the Montana Power Co. supplies 40 cities and towns and 20 smaller communities. Within the state there are about 19 flour mills and only one of them uses steam power. The municipal power plants in Miles City and Chinook in the northern part of the state were recntly charging nearly double the price at which this company sells its power. The town of Billings, which is called the best lighted city in the United States, has in operation more than 600 electric cooking stoves —so cheap is the cost of electricity. At Great Falls and Thompson Falls the cost of development to this company is only about $65 per horsepower, which is a great deal less than the cost of steam devlopment. Should the electrolytic smelting and treatment of zinc become a commercial success, this would make an additional market in Butte alone for about 70,000 horsepower.

Coming now to the investment side of the company's affairs, its capitalization consists of $28,067,000 bonds; $9,671,800 7% preferred cumulative stock, and $26,831,800 common stock. Of these bonds a little over $12,000,000 represents the indebtedness of the subsidiary companies which went into the consolidation; and of the company's

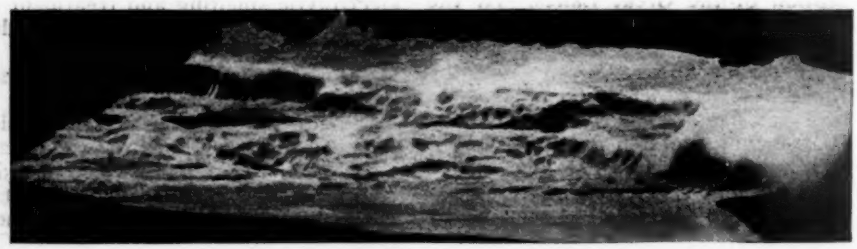
own bonds, namely, the 5s of 1943, $10,000,000 were issued in February, 1914, and $6,000,000 in February, this year. At the end of 1913 the balance sheet disclosed current assets of less than $900,000, and current liabilities of more than $3,800,000. Hence the floating debt was then about $2,961,000; and besides taking care of this the new capital served to retire $2,835,000 of subsidiary bonds. However, the above figures show the net capitalization now outstanding.

Gross earnings steadily increased from $3,022,964 in 1912 to $3,778,285 in 1914. Net earnings meanwhile grew from $2,048,136 to $2,639,239. Correspondingly interest charges increased from $1,252,913 in 1912 to about $1,403,350 at the present time. This figure for the present time includes interest on the $6,000,000 5s issued in February. Surplus earnings were $795,223 in 1912; $1,516,869 in 1913; and $1,575,625 in 1914. The preferred stock thus earned 8.2% in 1912, 15.7 in 1913 and 16.4 in 1914.

Of course an investment in these stocks is to a certain extent an investment in the mining industry of Montana, because the company supplies so so large a part of its total output of power to mining companies, or else to businesses or municipalities which are dependent for their very existence upon mining. Nevertheless, the State of Montana has great and thriving industries quite independent of its copper and zinc mines. If times were normal, the total mineral output of the State would now be about $77,500,000 per annum, whereas its agricultural output is at the rate of about $74,000,000. Besides this, it has manufacturing industries which produce nearly $27,000,000 net, and other industries whose output aggregates more than $21,000,000. The general supposition that the net earnings available for personal use to the citizens of Montana are derived principally from copper is untrue. The net income of the people of the State from agriculture exceeds their net income from copper mining.

But the fact remains that this company is more dependent upon mining than upon agriculture, and therefore its earnings have been temporarily injured by the copper curtailment. This curtailment is apparently now a thing of the past, for it is stated that the Butte district is now operating at full capacity. If this is true, then Montana Power preferred ought to earn more than indicated by the preliminary figures. A while ago it was indicated that earnings would not exceed 11% this year, but the outlook now is that they will amount to 12 or 13%. In any event, the company is a great big institution, and has promise of an immense future. Its bonds are good investments and show fairly high yields. Its preferred stock is quite attractive at present prices, and its common stock should prove an excellent speculation.

"White Coal"



Great Falls of Missoula River—Height 87 Feet

Three Well-Selected Combination Purchases

Public Utility Investments for the Typical Investor

By HENRY JUDSON

IT is a singular fact that in spite of the big rise which many securities have enjoyed since last fall, a large number of public utility stocks are selling but very little above their low levels. If earnings were proportionately bad, as they are with a good many industrial and some railway companies, there would be no attraction to the investor; but the truth is that public utility earnings have both held better and recovered better than the earnings of other corporations. Hence there is a great deal of attraction to the investor.

Now, it is one thing to determine to make a diversified investment in public utility securities, and quite a more difficult task to carry out the determination. There are so many stocks and bonds to choose from, and so few readily available quotations, that the work of practical selection requires more time than the ordinary investor can give to it. The typical investor is a business man, and his time is pretty completely taken up with his own manufacturing or commercial enterprises. Hence to simplify the task, there are here given three distinct selections of public utility securities grouped according to the degree of safety. The first shows an average yield of 6.35 per cent., the second 7.13 per cent., and the third 8.25 per cent.

These yields are the current yields of the stocks chosen and the yields if held to maturity of the bonds. Those who do not intend to hold the bonds to maturity should refigure the yields, which may easily be done by adding decimals to the rate of interest paid, and dividing by the price of the bond. In determining these average yields for the entire groups, it is asumed that the investor will put practically equal amounts of money into each of the stocks or bonds given. The titles of these groups designate the kind of securities contained.

At present prices the risk involved in the purchase and holding of this list of securities is very slight. The New York State railways 4½s are well secured by both property and income, and the company earns its interest more than twice over. The Denver Gas and Electric 5s are an obligation of one of the important and strong subsidiaries of the Cities Service Co. The Virginia Railway and Power 5s are an unusually good bond for one yielding 6 per cent., and the company earns a large surplus for dividends over and above its fixed charges. The Commonwealth Power Railway and Light Co. is a holding concern operating a considerable number of prosperous subsidiaries in the most thriving sections of Michigan. The Southern California

WELL-SECURED GROUP

	Per Cent.
New York State Railways 4½s of 1962 @ 84	5.45
Denver Gas and Electric 5s of 1949 @ 90	5.65
Virginia Railway and Power 5s of 1934 @ 88¾	6.00
Commonwealth Power and Light 6% prfd. @ 80½	7.45
Pacific Gas and Electric 6% prfd. @ 84¼	7.12
Southern California Edison 6% prfd. @ 90⅞	6.60
American Power and Light 4% com. @ 62½	6.40
Public Service of Northern Illinois 5% com. @ 83½	5.99
Brooklyn Rapid Transit 6% stk. @ 89½	6.50
Average Yield	6.35

Edison Co. is very prosperous, and both its bonds and stocks are steadily gaining in intrinsic value. The American Power and Light Co. controls various public utility concerns in the West and Southwest, serving a population of more than 822,000. The Public Service Co. of Northern Illinois is a strong concern and only moderately capitalized.

One has to consider in making any investment whatsoever the amount of possible depreciation should things go wrong. In a bear market even United States bonds go off about 5 per cent., while common railroad stocks sometimes depreciate 40 per cent. and copper stocks 60 per cent. However, the risk in the foregoing list would probably not be more than 25 per cent., even if we were at the top of a bull market instead of at the approximate bottom of the recent bear movement. The actual risk, in case things should go wrong, is probably not more than 10 per cent. in the above list at current prices, and that is not as much as railroad mortgage bonds would go off from the top prices of a bull movement. In the second or fairly secure group the risk from the top of the bull movement would probably be about 30 per cent., and the maximum risk at current prices approximately 12 per cent.

the bid and asked, and this should mean that the bonds ought to be actually obtainable at these figures. The preferred stock of the Northern States Power Co. sells rather low and shows a high yield partly because the company does not earn a very large surplus over dividends; and yet since the company operates in the prosperous Northwest, the dividend looks moderately safe.

As to the common stock of the Commonwealth Power Railway and Light Co., the activity of the automobile manufacturing business, and the full resumption of copper mining are genuine bull points. The subsidiaries of this holding concern operate in and about the copper mining and automobile sections of Michigan. Some of the towns which they serve are Grand Rapids, Saginaw, Bay City, Jackson, Kalamazoo, Cadillac, Pontiac, Battle Creek, Lansing and Muskegon. These two industries cannot so stimulate the prosperity of lower Michigan without likewise helping the earnings of this company. Therefore the prospects of this common stock are vastly better than they were the first of the year. The common of the Southern California Edison Co. is fast becoming a standard investment, and its dividend should not be in danger.

FAIRLY SECURE GROUP	Per Cent.
Louisville Gas and Electric 6% notes of 1918 @ 97¾	6.75
Kansas City Gas (Mo.) 5s of 1922 @ 91	6.80
Standard Gas and Electric convertible 6s of 1926 @ 93⅝	6.78
American Power & Light 6% preferred stock @ 81½	7.36
Northern States Power 7% preferred @ 83½	8.38
Commonwealth Power, Railway & Light 4% common @ 51½	7.76
Southern California Edison 6% common @ 74	6.11
Average yield	7.13

The Louisville Gas and Electric is a subsidiary of the Standard Gas and Electric, and its 6 per cent. notes are a perfectly safe investment. The Kansas City Gas 5s are an obligation of the United Gas Improvement Co., and are a high grade bond, so that this high yield is decidedly attractive. All the bond quotations here given are either the last sale, if there has been a very recent sale, or else the prices are midway between

Coming now to the third or high yield group, it is pertinent to remark that one cannot go after high yields without taking some degree of risk. The degree is large or small according as the high yields represent on the one hand mere unpopularity, or lack of appreciation of the given securities—or on the other some real weakness or defect in those securities. Probably the best way to obtain large yields is to select stocks and

HIGH YIELD GROUP	Per Cent.
Empire District Electric 5s of 1949 @ 73¼	7.05
Hudson and Manhattan 5s A of 1957 @ 72¼	7.00
American Public Utilities 6% preferred @ 63½	9.45
Republic Railway and Light 6% preferred @ 64½	9.30
United Light and Railways 6% first preferred @ 67	8.95
Northern Ohio Traction and Light 5% common @ 60½	8.26
Commonwealth Power Railway & Light 4% common at 51½	7.76
Average yield	8.25

bonds which, while not actually in a very strong position are about to become so. To make such selections requires very fine discrimination, and in making them even the most expert of investors is bound to commit occasional errors. In brief, there is no possible way to obtain high yields without taking a more or less proportionate risk.

Probably in this third group the average depreciation from the top prices of a bull movement might be somewhere around 37 per cent.; but considering that present prices are very far below the top the risk which the investor who now buys this list assumes in case things go wrong is probably not more than 15 per cent. In giving these figures it is not meant to predict a 15 per cent depreciation any more than an insurance man in saying that one's probability of life is 15 years means thereby that the person is going to die at the end of 15 years. It is merely a concrete method of expressing the risk assumed.

Thus this group shows an average yield of 8.25 per cent. against 7.13 per cent. for the fairly secure group, and 6.35 per cent. for the well secured. As a general policy the very best time to go after high yields is at or around the bottom of a bear movement, and after the movement itself has either ended or lost its force. At such times the stocks and bonds which still pay interest or dividends are usually pretty safe, even though their prices have suffered because the weak securities have been pretty well eliminated. The present, then, is the most logical time to assume the risks which are necessary to obtain high yields; and the probability is that the purchaser of this third group will suffer no loss of principal and will obtain his 8¼ per cent. yield without harm.

The Empire District Electric 5s are an obligation of the Cities Service Co. and a fairly good bond. The Hudson and Manhattan 5s have recently been very highly recommended by a New York bond house, and their merits set forth in much detail. The American Public Utilities Co. is a holding concern operating in various parts of the Central and Western States, and its 6 per cent. cumulative preferred stock appears to sell low rather because it is unseasoned than on account of anything wrong with it. Republic Railway and Light preferred is also cumulative, and as an average it shows good earning power. United Light and Railways first preferred earns about 12 per cent., and is probably the most stock in this group. Northern Ohio Traction and Light common has but little asset value, but it is gradually developing a considerable earning power.

Notes on Public Utilities

Boston Elevated.—GROSS RECEIPTS in May decreased 1.06%. Unusually good weather helped to prevent a larger decrease.

Brooklyn Rapid Transit.—ESTIMATES of earnings not expected to be met. Co. now expected to show about 7¾% on the stock, whereas earlier estimates were 8%. Weather conditions caused the decrease. Gross in nine months ended March were 5.8% ahead of a year ago.

Colorado Power Co.—EARNINGS for the 12 mos. ended April 30 show gross $773,-539, an increase of 8.2%, and net earnings of $497,681, an increase of 6.1% over the previous year.

Commonwealth Power Co.—REPORT for four months ended April 30 shows gross about equal to same period last year. Earnings for twelve months ended April 30 applicable to dividends on common stock were $1,257,857, or 8.11% on the $15,500,000 stock. On May 1 another $2,500,000 stock became dividend bearing. Jitney competition is affecting somewhat, but not seriously.

Federal Light & Traction—GROSS earnings for the six months ended Mar. 31 showed a gain of 1.9%, while net increased 14.6%, and surplus 27.7%, over the corresponding period of the previous year. Operating conditions are improving in all properties.

Massachusetts Elec. Cos.—GROSS RECEIPTS for May showed a decrease, while May last year was one of the largest the company ever had. Bad weather conditions were mainly responsible for the showing. Company is having poorest year in its history, with gross receipts barely holding its figures of a year ago.

Massachusetts Gas.—NET EARNINGS of subsidiaries available for dividends for April increased 4.02%, as compared with same month a year ago.

Northern States Power Co.—EARNINGS for year ended March 31 show large increase. After all charges and preferred dividends had been provided for there was a balance equivalent to 8.58% on the common stock, as compared with 3.86% for the preceding year. For the year gross earnings increased $622,207, or 15.7% over the preceding year. Net earnings gained $472,150, or 23.1%.

Pacific Gas & Electric.—FIVE PER CENT. notes to the amount of $1,500,000, the remainder of the $4,000,000 one year notes, have been paid off. Gross income for 1914 was about $17,220,504. Directors' meeting has been called for June 30 to declare 6% on the common stock, payable in common stock, of which 3% will be paid July 15, and 3% to stock of record June 30.

Republic Railway & Light.—REPORT for year ended Dec. 31 shows gross $3,001,461, with net earnings of $1,144,994. Gross increased only $31,443 over 1913. The Co. expended $602,127 for improvements to physical property. Total customers increased 2,447 during the year.

Phila. Co.—REPORT for year ended March 31 shows gross earnings $7,288,753, and net income of $3,943,303.

Southern California Edison.—EARNINGS showing increases. Gross for first four months of year was not up to same period of last year, but expected that increases will show from now on. Net, however, has shown considerable gain. California Commission is now making an appraisal of the property, following their permission to issue additional securities.

Twin City Rapid Transit.—GROSS EARNINGS increasing, but expenses eating up the gains. Gross was 4.5% over first quarter of 1913. Traffic conditions good, and jitneys not affecting earnings much.

United Light & Rys.—EARNINGS for common stock increased 14% for the first quarter of current year. Capital expenditures for the coming year expected to be about $600,000 to take care of the growing business. Increase in current year due largely to the better showing made in the gas and electric properties. With another good year of crops and general business it is believed the outlook for the company is very bright.

Western Power.—NET EARNINGS available for dividends on preferred stock for the 12 mos. ended March 31 was $700,000, compared with $772,000 in the year previous. Expected that the dividend will be earned nearly twice over in the current year. Not expected, however, that any cash dividend payments will be made for some time. Co. going conservatively in view of $1,000,000 notes maturing in 1917.

Western Union.—GROSS EARNINGS gaining at the rate of over $3,000,000 per annum, and it is expected Co. will earn 6.5% on its stock this year, compared with 5.1% last year. No dividend increase in the immediate future expected.

Unrecognized Bargains in Receiverships

Study some of the underlying bonds of the railroad companies now in receivership. If these bonds have a strong lien and have been paying their interest right along, and are far below their high points of previous years, look into them; they may be bargains unrecognized by the general public.

Public Utility Inquiries

Pacific Gas

I hold Pacific Gas & Elec. at 83½. How does it compare with Kings County Elec. Lt. & Power at 122?—J. D.

Your investment in Pacific Gas & Electric preferred should prove satisfactory. The company is sponsored by conservative and strong banking interests, and we know of nothing in the situation about the company that bodes ill for it for the future.

A comparison of it with Kings County Light & Power would be difficult. The conditions about the two companies are so entirely different. The Kings County Co. is located largely in a big metropolitan city, whereas the other one is scattered far and wide over the southern part of California, and has entirely different conditions to meet. Each in its own field is a good company.

United Railways Investment

Several years ago I purchased some preferred stock of the United Investment Co. at 65¾. Stock now stands at 34. Would like your opinion whether to sell or not.—E. L.

It is rather difficult to advise what disposition shall be made of your stock of the United Railways Investment Co. There seem to be bad and good elements about it. The unfortunate things are that the jitney and other troubles should bother the San Francisco surface lines. Some of the good things are that the subsidiaries of the company are doing very well, putting money back into their property and making progress generally. We should say the weight of influence is with the hopeful and constructive side.

There are some very strong interests in the company, and they are endeavoring to get the property into a good position through some plan for taking care of the accumulated dividends on the preferred stock. You have such a loss that it would seem the worst is over. Better hold your stock a while longer.

Columbia Gas & Electric

I have a first mortgage bond of the Columbia Gas & Electric Co. 1927, which I bought at 75½. Do you consider this a reasonably safe investment?—G. C.

The Columbia Gas & Electric Co., of West Virginia, was organized in 1906 as a holding company to control public service corporations in Cincinnati and Cleveland and adjacent towns under the name of the Columbia Corporation. Name was subsequently changed to present title.

The company owns about 25% of the capital stock of the East Ohio Gas Co., the entire capital stock of the Columbia Gas & Electric Co. of Ohio, and 99.4% of the common, and 99% of the preferred stock of the Union Gas & Electric Co. The company is controlled by a syndicate composed of A. B. Leach & Co., J. & W. Seligman & Co., New York, and others.

There are authorized $25,000,000 of these bonds, and outstanding $15,531,500. These bonds cover the company's entire property and the securities of the subsidiary companies, but must be classed as a somewhat speculative issue. The company controls the gas and electric business of Cincinnati, and a number of other municipalities in Ohio, and the gas, electric and street railway business in several other cities and towns.

From the investment point of view we see no special reason to advise you to sell.

RAILWAYS & INDUSTRIALS

The Market Outlook

Second Thoughts on the German Complication— Importance of the Steel Decision—The Technical Position

FURTHER reflection has led Wall Street to conclude, first, that the probability of serious trouble between the United States and Germany is small; and second, that even war between the two countries, under present conditions, would not be likely to exert any extreme bearish influence on the markets.

The important fact is that neither Germany nor the United States wants war. Germany has enemies enough already and the United States wants no enemies. Under such conditions the chances of finding some "way out" are certainly excellent. Perhaps the way may be found in Germany's misunderstanding in regard to guns and armament carried on the *Lusitania*. Evidently the German people firmly believe that the *Lusitania* was an armed vessel and practically a part of the British navy. If German officials can be shown that this is incorrect and that the *Lusitania* carried no guns, they may be willing to disavow the act of sinking her.

As to the future, it will not be difficult for German submarines to avoid sinking American vessels if they are really in earnest in the effort. The question of American passengers on British passenger vessels presents more difficulties, but it would certainly seem that these difficulties might be overcome without resort to arms.

* * *

EVEN if hostilities should result, however, it must be evident that there could not be a war in the ordinary sense of that word, for each nation is beyond the reach of the other. Germany is hemmed in on every side by the forces of the Allies and she has no commerce on the seas. The only German property within our reach would be the vessels which are now interned at our ports.

In case of actual war, German submarines might torpedo our ocean commerce, but the damage they could thus do us would be trifling compared to our resources. What else they could do to us is not clear.

We could assist the Allies by furnishing them more ammunition and by aiding in the financing of the war. This last might prove important before the European war is over; and for that reason it seems clear that Germany will make every effort to avoid trouble with us.

Under the above circumstances it has been difficult for the bears to make capital out of the prospect of war with Germany. The argument has been felt to have only a very limited and doubtful force.

* * *

THE decision of the court in favor of the United States Steel Corporation was not entirely unexpected in Wall Street. Some of the ablest corporation lawyers have long predicted that the company would win this suit. The action of the market seemed to indicate a probability that even more definite information in regard to the result had "leaked" from some source, but this may not have been true. The sharp rise which preceded the handing down of the decision may have represented merely bold speculation by large interests on the basis of the advices of their lawyers as to probable results. In view of the uncanny way in which the market often discounts events which it would seem no one could possibly have known in advance, it would be silly to base any positive assertion of "leakage" on the action of the market before the decision came out.

The attorney-general announces that the decision will be appealed to the Supreme Court. Although this prolongs the agony, it is perhaps just as well to have the big corporation passed upon by the highest court in the land. Many leading lawyers are confident that the decision of the lower court will be affirmed. It is difficult for any one who has kept track of the recent trust decisions by the courts, to reach any other conclusion.

The longer investors reflect on this

decision the more its importance is likely to grow upon them. Without a doubt there has been, on the part of some public officials and of the people at large, antagonism toward big corporations simply because they were big, on the theory that since their size and their control of industry gave them the power to do evil they were pretty sure to do it—and that therefore their power should be taken away by breaking them up. This is what the courts have attempted to do in the Standard Oil and Tobacco cases; but if the public received any benefit from the disruption of these trusts that benefit did not appear in the form of lower prices for the products handled.

The Steel decision makes it plain that size is not a sin; that legality depends not on the percentage of an industry that is managed under a single corporation, but on the freedom of opportunity in that industry outside the dominating company. The trust that arbitrarily freezes out its competitors is distinguished from the combination that merely seeks to live and let live.

Thus another long step is taken towards the point where the managers of our big business enterprises may definitely know what they may do and what they may not do according to law. Few will deny that there has been need of closer legal supervision in the past. But the attempt at such supervision has sometimes led to an unreasonable antagonism. Government attorneys have at times shown a disposition to burn down the barn to get the rats, and it has been an important question how far the Sherman Law could be made to support them in such action.

As a result of several recent court decisions, this question may now be said to be settled in all essential particulars. Business men are frequently exhorted—by those having no financial stake in the enterprise—to put aside their fears and "go ahead." If they do not now "go ahead" it will not be for lack of fairly definite knowledge of what may be done legally and what may not.

* * *

THERE has been another important reason for the strength of U. S. Steel stock in the market and that is the improved outlook for the industry. Judge Gary said recently, "Our last reports show that our companies, taken as a whole, are operating 81.2 per cent. in ingots and 68.78 per cent. in pig iron. In the above are included exports."

War orders, while important to the companies that get them, do not have a large bearing on the activity of the steel and iron industry. Our total volume of export business in steel products and manufactures has been running about 15 per cent. of the steel industry's capacity, and war orders now in sight may bring this per cent. up to 20. It is our home business that must be depended on to keep the steel mills running. This was growing satisfactorily when the sinking of the *Lusitania* administered a check to it. When that complication is settled business will again begin to forge ahead.

The copper industry is more directly stimulated by the war than steel, and the copper stocks have responded accordingly. The end of the war demand for copper is nowhere in sight.

The railroads, as a result of economy in operation, are showing better net earnings than last year in both the East and the West. This is not true in the South, where the low price and small movement of cotton have greatly interfered with the traffic in general merchandise. With a normal increase in gross earnings this fall, the returns may surprise some of those pessimists who have been sounding the death-knell of profits in railroad stocks.

* * *

SOME of the war order stocks have now reached figures which cause the investor to hesitate. Without question there has been a large speculative element among purchasers of this class of stocks for months past and for that reason, if for no other, the prudent investor is inclined to favor the "standard" stocks.

The general character of the market remains satisfactory. The sharp break which followed the sinking of the *Lusitania* purified the market and the technical condition in most stocks is now strong. If complications with Berlin should cause a sharp break, the more far-sighted class of investors would take advantage of it to add to their holdings.

How Individual Companies Benefit From Orders

War Stocks

and

War Earnings

By NORMAN N. MERRIMAN

FOR several months the term "war orders" has been one to conjure with. The stocks of companies whose business had for a year or more been lifeless and declining, suddenly took on a new lease of life. One stock after another startled the Street with its rapid advances and for a while there seemed to be no limit to the rises that might take place.

The sinking of the Lusitania, and the crash in the market which followed, showed the necessity of caution in dealing in the highly speculative favorites and the advisability of measuring them with the investment yardstick before making commitments.

Many of the companies whose stocks are listed on the Exchange have received orders for supplies from one or another of the warring nations. Regarding the orders of many of these, absolutely no information can be obtained and consequently both investors and speculators should avoid buying them unless they are selling at prices warranted by the conditions obtaining in the industries in question. One should be careful to avoid buying stocks because of roseate reports regarding war orders, unless conditions and known earnings indicate that the stock should be a reasonably safe purchase. Otherwise it is far better to wait until confirmation of the actual orders has been received and some estimate of the profits can be made.

The following companies are reported to have received foreign orders for various kinds of supplies, but up to date there has been no definite statement to indicate what the orders are, or how great profits might accrue to the companies:

Allis Chalmers Co.
American Steel Foundries Co.
B. F. Goodrich Co.
Central Leather Co.
Colorado Fuel & Iron Co.
General Chemical Co.
National Lead Co.
Republic Iron & Steel Co.
U. S. Industrial Alcohol Co.
U. S. Rubber Co.
Virginia Carolina Chemical Co.

Stocks of such corporations as these should not be purchased until *it is ascertained that the domestic business of the company and its record of earnings in the past warrant the purchase.*

In contrast to the companies mentioned above there are a number of corporations which have given out statements regarding orders received and the prospective purchaser of their securities can make a reasonably accurate estimate of the probable profits. The accompanying table gives in condensed form the estimated gross foreign orders received, the writer's estimate of the probable profits from this business, and the per cent. on the stock which these profits represent.

Bethlehem Steel

The most conspicuous individual company benefiting from this business is the Bethlehem Steel Corporation. This concern is the largest manufacturer of armor plate and heavy ordnance in the United States. The company had always sold a large part of its ordnance products in Europe, Russia, Italy, Turkey, Greece, and many other nations having been large customers at various times. As the foremost American company doing this business in Europe it was only natural that the cream of the orders should have been taken by Mr. Schwab. In addition to contracting for its entire ordnance capacity, the company has taken contracts for all kinds of supplies

and equipment. These contracts have been sublet to other corporations, and in some cases it is said that the Bethlehem company has been able to secure very handsome profits. Little is known regarding the profits from the business of this kind. Consequently, in making an estimate of the company's earnings from the war orders, the writer has not included any profits from this source.

The orders of the Bethlehem company, the receipt of which is reasonably well confirmed, amount, in the aggregate, to $80,000,000. A conservative estimate of the profits on this business would be fifteen per cent., or $12,000,000. This amounts to 80 per cent. on the outstanding stock of the company. For the year ended December 31, 1913, the company earned 27.4 per cent.; in 1914, 30.6 per cent. Assuming that the Bethlehem company will earn 10 per cent. from its domestic business this year, the total earnings from all sources should be not less than 90 per cent. If this be added to the amount earned and put back in the business in the two previous years, we have a figure of $148 per share earned in three years. None of this money has been paid out in dividends, and if Mr. Schwab's present policy is maintained, none of it will be. Inasmuch as the common stock is now selling around 145, or less than the estimated surplus earnings for three years, the stock looks cheap at present prices. Many people dislike paying as high a price as this for a non-dividend paying stock, regardless of indicated values. In this connection, however, it might be well to call attention to the fact that little over a year ago Atlantic Refining sold at 848 and was paying no dividends whatever. So it is easily seen that the argument that Bethlehem is too high for a non-dividend paying stock has little to do with the prospects for a higher price.

American Locomotive

Next in importance to the Bethlehem's orders are those received by the American Locomotive Co. for shrapnel cases. These amount to $68,000,000 and the estimated profits will exceed $10,000,000 or an amount equal to $40 per share on the stock which is now selling in the neighborhood of 48. The regular business of the American Locomotive Company has been very dull and prior to the receipt of this order the stock had been selling in the neighborhood of 25. While the equipment business is by no means satisfactory, there has recently been a considerable improvement in domestic business and this alone should have warranted a moderate advance in the stock. At present levels, therefore, it would seem as though there were still some room for an advance in Locomotive.

New York Air Brake

About one-half of the shrapnel orders received by this company has been sublet to the New York Air Brake Co. and Westinghouse Air Brake Co. The estimated profits from these orders amount to $2,000,000 on the outstanding New Air Brake stock and to $20 a share on the Westinghouse Air Brake stock. As New York Air Brake has had a rise from about 60 to about 100 and is now selling around 88 it would seem as if a large share of the benefit derived from this business had already been discounted by the stock's advance. It must be remembered, however, that the 6 per cent. dividend on this issue had been regarded as insecure and that the receipt of this business should insure the payment of at least this dividend for two or three years to come. As there is little interest in the stock of the Westinghouse Air Brake Co. the effect of the orders this company has received needs no comment.

American Woolen

The orders for blankets, uniform cloth, etc., received up to date by the American Woolen Co. are reliably reported to approximate $8,000,000. The profit on this business will amount to about 3% on the common stock of the company. Woolen stocks have been unpopular since the early part of 1913, before the reduction in the tariff took effect. Many people then felt that the preferred stock dividend would have to be reduced. However, in the year 1914, the first year the new tariff was effective, earnings were far better than in 1913, showing that the cut in duty on raw wool had

more than compensated for the cut in the duty on finished goods. The company was able to maintain its preferred dividend and during the present fiscal year should be able to earn a substantial surplus from domestic business alone.

The foreign business should materially improve the showing on the common stock, which may again develop into a speculative favorite. It should be remembered that the company has practically no indebtedness (33 of its 34 plants are entirely unmortgaged) and that there is twice as much preferred outstanding as there is common. If the company can earn twice its preferred dividend requirements in any year, the earnings on the common would then amount to 14 per cent.

Westinghouse Electric

The contracts received by the Westinghouse Electric Company are reported to aggregate $55,000,000, and the profit which the company expects to obtain on these orders amounts to nearly 20 per cent. on the stock. This accounts for the tremendous rise in Westinghouse Electric during the past few months, and there are reasons to believe that before the end of another fiscal year the dividend disbursement on this issue will be increased.

The Westinghouse Electric Company's contract is chiefly for rifles, and in order to enable the company to turn out these rifles it has purchased the controlling interest in the Stevens Arms Company, which will erect additional plants to enable it to turn out the rifles. It is believed that the Westinghouse Electric Company will receive additional orders as it will be one of the few companies able to promise delivery inside of a year.

On the basis of actual orders received, however, it is more than probable that the rise in the stock from the price in the neighborhood of 65 to its present price close to par, has discounted, to a large extent, the improvement in the business of the company due to European orders.

Baldwin Locomotive

Some of the most important orders received have been taken by the Baldwin Locomotive Company. Estimated profits from this business amount to about $3,800,000, or about $19 per share on the common stock. The Baldwin Company has been paying 2 per cent. on its common stock, the normal price of which has been somewhere around 40 or 45. The improvement in the equipment business warranted some advance in the stock from the recent low levels, so that it would seem reasonable to expect some further rise from the prevailing price of about 49.

Studebaker Corporation

In the last fiscal year this company earned about 13 per cent. on its common stock. The foreign orders should show a profit amounting to nearly $8 per share. It is understood that domestic business is holding up to last year's mark so that the indicated earnings for the present year should not be less than 21 per cent. As Studebaker is paying 5 per cent. dividends and at the present price of about 67 yields about 7½ per cent., the stock looks like an attractive purchase. A great many persons have a mistaken idea that the only product of the Studebaker Company is automobiles, and, believing that this industry is on the crest of the boom, dislike purchasing automobile stocks. It is true that the company is one of the country's foremost auto manufacturers, but it is at the same time, if not the largest, at least almost the largest maker of wagons, carriages and harness in the country. By far the greater part of the European orders have been for harness and wagons; few, if any, purchases of automobiles and trucks have been made.

Crucible Steel

Little definite knowledge regarding the orders of the Crucible Steel Company is obtainable. It is known that a large order from the United States Government for projectiles has been received, and that some overflow orders have been received from other companies. A conservative estimate of the profits would show about $10 per share on the common. It must be

Estimated War Profits

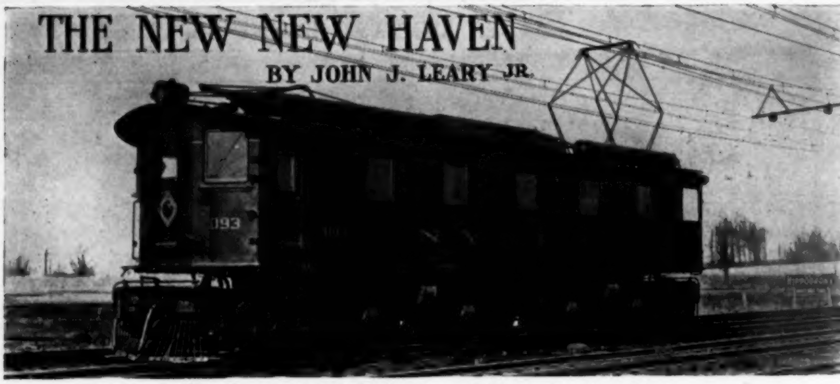
COMPANY.	Est. Total Orders.	Est. Total Prof.	Per Cent. on Stock.
American Can Co.	$10,000,000	$1,400,000	3.4
American Car & Foundry Co.	2,800,000	500,000	1.7
American Locomotive Co.	68,000,000	10,000,000	40.0
American Woolen Co.	8,000,000	600,000	3.0
Baldwin Locomotive Co.	22,000,000	3,800,000	19.0
Bethlehem Steel Co.	80,000,000	12,000,000	80.0
Crucible Steel Co.	15,000,000	2,500,000	10.0
General Electric Co.	18,000,000	3,500,000	3.5
Lackawanna Steel Co.	9,000,000	1,000,000	2.9
New York Air Brake Co.	17,000,000	2,000,000	20.0
Pressed Steel Car Co.	5,000,000	800,000	6.4
Studebaker Co.	18,000,000	2,000,000	7.4
Westinghouse Air Brake	19,000,000	2,500,000	8.2
Westinghouse Electric	55,000,000	7,000,000	18.6

remembered, however, that dividends amounting to 21¼ per cent., must be paid on the preferred before anything can accrue to the common stock. Crucible has recently advanced from about 12 to 34, and is now selling around 31. Unless the company's domestic business is materially better than recent reports indicate, the advance in the stock would seem to have already discounted the improvement in the status of the company resulting from *known orders.*

The other orders which are mentioned in the accompanying table are comparatively small in amount, and while they benefit the corporations which have received them, they cannot be regarded as having an extremely important bearing on the market movements of the stocks in question. A number of large orders are reported pending and it is probable that the General Electric Company will receive additional business amounting to $50,000,000 or $75,000,000. This contract has not been made public as yet, but news regarding it will probably be announced before long.

There is no doubt that many other corporations will obtain large profits through additional orders, and in this article no mention has been made of the orders received by such companies as the Du Pont, Hercules, Atlas and Aetna Powder Companies. In like manner no mention has been made of orders received by such companies as the Savage Arms and the Woodchester Arms. The writer has not considered these companies for the reason that their securities are not listed on the Exchange, and there is no great amount of public interest in them. Some of the greatest benefits of the war have, however, been secured by the companies mentioned.

In like manner, a number of mining companies, chief among which may be mentioned the Butte & Superior Copper Company, the American Zinc, Lead & Smelting Company, and the New Jersey Zinc Company, have benefited greatly through the increased price obtained for zinc. Inasmuch as these companies have not received any direct orders they have not been included in the table, although the benefit derived as a result of the conditions due to the war has been perhaps greater than in any other class of stocks.



One Factor in the Reduction of Transportation Costs

PART I.

WITHIN a few days of the time these lines will see the light of publication another fiscal year will have ended for the New Haven. What the balance sheet when completed will show in exact figures no man can state.

But this much it will show:

First, that in the worst year industry has known since 1908, in a year beset with troubles peculiar to itself, it will have earned at least $1,500,000 over fixed charges and paid off another $1,500,000 of debt, as compared with a balance of a few thousands over fixed charges of a year ago.

Second, expenditures for maintenance up to the ten year average.

Third, that even the despised Westchester is slowly but with almost mathematical precision reducing its deficit after operating expenses and taxes are paid, and rapidly nearing the day when it will not only cease to be a direct burden to the New Haven, but distinctly aid the parent company by relieving it of the enormous losses the suburban commuting traffic entails.

Fourth, the earning of slightly larger gross with a reduction of train miles run of nearly 200,000 miles and a reduction of operating costs from 74.71 per cent. of gross to 67.21 per cent., and the reduction of transportation expense from 44.83 per cent. of gross to 38.42 per cent.

Fifth, every indication that the road has "turned the corner" and is surely retracing its way back to the list of dividend payers.

How soon that goal may be reached no man can say, but—and I here give the consensus of opinion of the persons in the best positions to judge—New Haven will be paying dividends before it begins hauling passengers over its rails to the 300th anniversary of the settlement of Plymouth. That is but five years away. There are those, and I know many of excellent judgment among them, who believe it will be nearer three years from now than five when the dividend checks will go out.

That explains why New Haven has been so firm in the market and why the buying has been so good. There is little New Haven on the market now, for the "distressed" stock has to a remarkable extent been taken over by persons well able to hold it. As a matter of fact, hundreds of New Haven stockholders have increased their holdings, thereby averaging up and reducing their losses.

More than that, the New England Yankee, ever keen as a trader, has come in at the low prices that rule and the lower ones that ruled, for a bit of the profits. New Haven at its present price does not look natural to New Englanders.

But more important than the buying here described is the return of confidence in New Haven. I travel up and down that road a great deal, and never is there a word of criticism to be heard. Even now, that condition seems strange after what one used to hear. Some, indeed, declare they cannot account for it. They are like the old farmer I met not long since in Middletown, Conn.

"I hear," said he, "that you know a

lot about New Haven. What sort of a fellow is this man Elliott?"

"A pretty level-headed man, and square. Why do you ask?"

"Well," said he, "I'll tell you. First he comes along and cuts off a lot of trains. Nary a kick from anyone. Then he boosts fares. And they give him a vote of thanks. If Charley Mellen did those things they'd hang him. And hang me if I can see how Elliott does it."

In his own way, the old man had stumbled on the explanation of the change in sentiment and in conditions. Elliott is, as he said, doing things that Mellen could not do, but that is because he operates on different lines. Mellen in his delightfully brusque way would have acted first and told folks to go to the devil afterward. Elliott first tells them why and then does it.

Under Mellen New England got to feel that New Haven was an alien road. Under Elliott the old personal sense of ownership has returned. There never was a time when the most rabid railroad baiter in New England would not assert that the New Haven was a great road. In a way New England was proud of it. Now it is once more looked upon as a member of the family in good standing, and wherever you go you hear New Haven discussed, and you are sure to hear one declaration made. It is:

"If Morgan had lived he'd have seen New Haven through. All these troubles would not have happened."

And there again the target is centered. For it was the imagination of J. P. Morgan that brought the New Haven as we know it into being, and it was the mind of the master that saw, as others are beginning to see, that transportation in New England is a natural monopoly; that competition within its boundaries is bound to be wasteful and injurious to New England and that the future of New England lies more in intelligent compactly handled transportation than in any other one thing.

Now imagination, or ability to see into the future farther than most men can see, is, I may be told, a queer thing with which to wreck or nearly wreck a railroad I am not so sure of that.

To the imagination of a far less gifted man than Mr. Morgan, Reading today owes its position among the most valuable railroad properties of the world. That man, dead and gone these several years, was able to picture the time when anthracite coal lands would be worth money. He bought, and bought till there was no more to buy. He loaded up the Reading until its financial back broke and it went through two receiverships. Reading stockholders of those days suffered more severely than New Haven stockholders have, but the road through all held its coal.

It is this coal and all that goes with it that makes Reading what it is. The man whose judgment was damned, whose integrity was questioned by the careless of tongue, but who died poor, was able to imagine the time when extensive railroading would be necessary for Reading to live.

New England's problem, and by that I mean the New Haven's problem, for they were one, was different only in degree.

New England has no great natural resources. She must grow and live by her manufactures. There the future lay in intensive railroading.

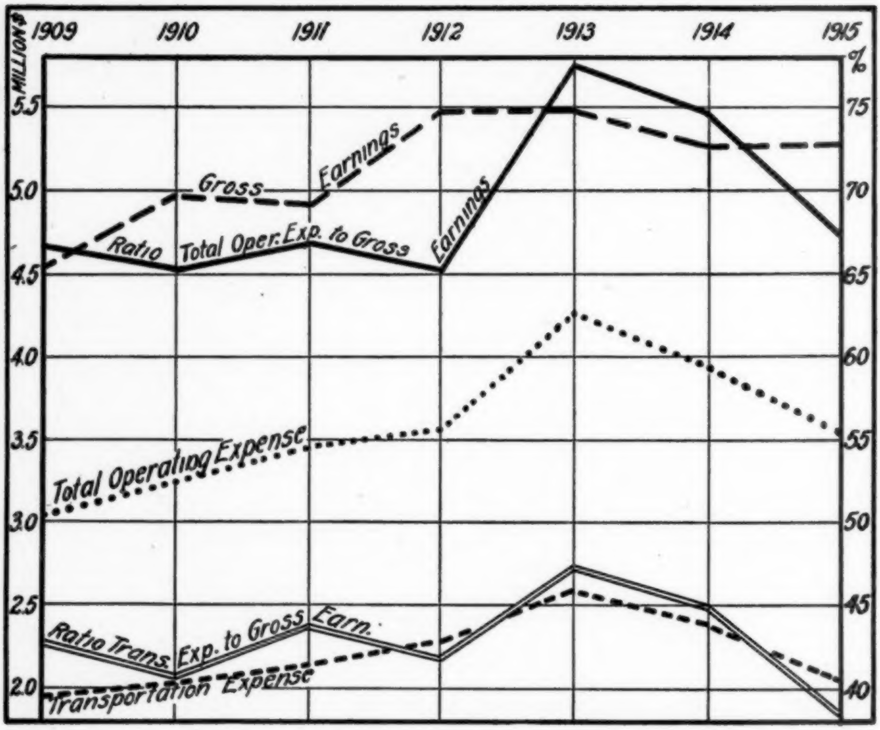
To do that it was necessary to do exactly what was done; though, as it worked out, New Haven, like Reading, had to pass through its period of stress. At no time, however, was the situation as dark as that Reading faced. It, at least, escaped receivers and has paid every debt at maturity.

To understand, however, what this welding process meant, one must go back and look at the times when the upbuilding of the New Haven as we now know it was begun. The New England railroad map was a thing of shreds and patches. Transportation was slow and costly. In time these lines became one system. Waste, in the guise of competition, was eliminated, rates were lowered, the public given better service, all at a profit.

Even then the New Haven was unique among railroads in one way besides being a monopoly on natural lines. so far as it went. That is, in the nature of its traffic. The country over, receipts from passenger revenue compared to freight

New York, New Haven & Hartford Railroad Company

Seven Years' Comparative Figures for March, 1909-1915



March	Maintenance of Way	Maintenance of Equip.	Traffic Expenses	General Expenses	Train Miles Run
1909	$393,000	$558,000	$30,000	$100,000	1,838,664
1910	489,000	558,000	32,000	136,000	1,910,919
1911	454,000	623,000	30,000	190,000	1,940,478
1912	411,000	677,000	30,000	161,000	2,103,633
1913	558,000	907,000	36,000	173,000	2,173,488
1914	537,000	866,000	29,000	140,000	1,954,646
*1915	500,000	850,000	35,000	131,000	1,763,381

* Figures for 1915 are adjusted to basis of previous years on account of change in classification effective July 1, 1914.

The attached statement and chart are of interest as showing the results on the New Haven road for March for seven years.

It will be noticed that maintenance accounts show expenditures substantially as great as in any year except 1913; that transportation expenses have shown a good decrease, and compared with March, 1909, there is an increase in earnings of $734,000 and an increase in transportation expenses of only $82,000, with the result that the ratio of transportation expenses to gross earnings has dropped from 42.84 to 38.42.

This result is due to making each train do a little more work, so that earnings of $5,268,000 were made by running trains 1,763,381 miles, while earnings in 1909 of $4,533,000 required trains to be run 1,838,664 miles.

revenues are as 30 to 70. On the New Haven this condition is reversed. With it the passenger is the "bread and butter" traffic to a greater degree than on any other large American road.

This condition, plus the fact that in its territory short hauls prevail to a greater extent than on other great systems, forced what has been most roundly criticized, but which has proven profitable to the public and to the New Haven if permitted to continue to exist. I refer to the acquisition of the trolleys in southern New England. For that there was excellent public as well as corporate reasons.

Nowhere did the trolley craze hit harder than in New England. Every town wanted trolleys, and franchises were easy to get. The result was a broken chain of weak roads all but paralleling the main line of the New Haven. The building of a few links here and there, and the installation of a high tension service, and the New Haven would have direct competition from a fast line capable of cheap operation.

That would spell a railroad rate war, in the end disastrous to the public and the two corporations, for it is as sure as sunrise that in the end such competition ends in waste paid for by the public.

Or the New Haven could take over these properties, build the missing links, develop the properties as urban necessities and feeders for the main line, and by giving the best service that could be supplied, at low rates, net a profit. This course was decided upon.

For these properties the prices paid have been declared by many, in official life and out of it, to have been exorbitant. From the standpoint of actual physical values many prices were. But, and here we have the milk in the cocoanut, the franchises were in many cases the only things of real value. They were perpetual. They could not be duplicated. To operate, the New Haven had to have them.

In that position the New Haven did exactly what W. R. Hearst did when the collapse of the United Press several years ago left his New York American without a press association franchise. To get one he paid $1,200,000 for a paper that did possess an Associated Press franchise—an exorbitant price for the paper as such—and he "scrapped" the plant and all else that went with the franchise and continued to spend fortunes to build his property up. In like manner the New Haven saved only the franchise in many if not most cases, and proceeded to replace the physical plant. Thus, in Bridgeport alone $1,000,000 was spent making that division as nearly perfect as money could make it and putting it where it earned dividends on the full investment.

And when that stage was passed, the trolleys earned more than enough to enable the parent road to keep up dividends as long as it did and to show a small surplus last year. Whatever becomes of these roads, they will continue to earn dividends for their owners. If they be New Haven, well and good. If they be sold, the proceeds must go to New Haven.

So much for the trolley waste. It does not sound quite so badly now, does it?

Presumably, had New Haven expansion stopped here, there might have been no trouble. But the Boston & Maine is as logically part of the New Haven as any extension could be. If you doubt this, look at the map again. But whether its acquisition was a mistake or not, its acquisition marked the turn in New Haven's tide. In one thing alone it cost too much—bad blood. Its acquisition by New Haven was bitterly fought in northern New England. To accomplish this, various and devious devices, including the famous or infamous—depending on your viewpoint—Billard holding company, were evolved. It also cost too much money. And when it was accomplished, the era of higher costs of everything a railroad uses had arrived.

I have referred to the bad blood the New Haven acquired with the Boston & Maine. That it retained to the last. Much of it was stirred up by the lobbyists anxious to remain on the payrolls. Attacks on the company became insistent, persistent and consistent.

Part II of the new New Haven will appear in the next number.

How to Handle a Modest Sum of Money Wisely

What I Would Do With $5000

Planning Its Investment and Then Working the Plan

By FREDERICK LOWNHAUPT

IN previous issues I have said what I would do with $500 and $1,000. Strange to say, the larger the amount grows the easier it is to place it once the fundamental principles of investment are known. It is very easy to invest $1,000, because there are so many good bonds of that denomination. What I mean by difficulty in placing is to get the money to do its best work. The proper course of the man with $1,000 is to find the bond that measures most nearly to a perfect safety. He can do this easily enough by using the list of bonds legal for savings banks in New York State. Almost any bond on the list will be safe. That, however, would not be investing the money as wisely as he might.

The farther you get away from this idea of absolute safety the easier it becomes to place the money, because then other considerations come to the fore, especially that of making a profit by price changes.

How, then, shall a man go about investing $5,000? If I were doing it for myself I should first consider my position and the relative position of the $5,000 to all the money I possessed. Then I could make up my mind as to how much risk I could take. At least I could classify myself among the various kinds of security buyers. It is not easy to classify security buyers. They vary greatly. The element of risk is so differently distributed in securities that unless a man knows exactly what he is doing he may be acting the part of a speculator when he believes himself to be a conservative investor.

I would therefore put myself into one of five classes mentioned below and understand that my risk was proportionate. Then I would proceed to analyze my expectations from the investment of my $5,000. Some people expect too much and some not enough. There is a lot of power in $5,000 that never gets to work when the money is handled in certain ways. Suppose a man has an income of $10,000 a year or another has a surplus in the bank of $25,000. Five thousand dollars to these men can be made to work twice as hard as for the man who has saved twenty-five years to get this amount together and cannot hope to accumulate another $5,000. It comes from the different positions they occupy. They have got to temper their risks to their conditions; that is, if they move wisely.

I should therefore make an estimate as to how much I could expect in the way of increase in principal from my investment. And I would further settle just how much income my securities must yield. I could define my position pretty well from the amount of income I would be in a position to accept.

From common experience it may be set down that the table below gives fair working rules.

Extent of Increase in Principal that Could be Expected Annually and Amount of Income that Should be Acceptable to Various Classes of Security Buyers

Increase in principal through advance in market price.	Type of Security Buyer.	Income on Securities.
40%	Speculative	7½% and upward
30%	Semi-speculative	6½% to 7½%
20%	Business man	5½% to 6½%
10%	Conservative	4¾% to 5½%
5%	Ultra conservative	4 % to 4¾%

Each one of these classes shades off into the other. Some people may be put into one class and some people could well be placed under more than one head. Some people do the same thing always and others vary their procedure from time to time as conditions suggest.

I have now defined my position. My attitude toward the market or securities will be governed accordingly. If I am an ultra conservative I must do one thing. If I am a speculator I follow another course of action entirely different. I may buy bonds only, in which case my action will be appreciably limited. I may buy stocks only and then I shall have more freedom of action. And if I mix my purchases among bonds and stocks the possibilities of ingenious and profitable combinations is large. Therefore I would consider first some method by which I would work, that is, some method of handling the financial end of the transaction, adapting that to the position I have taken.

Of such methods there are many but the general practice to which I would adhere would be about as follows:

For the—

Speculator	Work on a 20 to 40 point margin (in stocks generally).
Moderately speculative	Part on a margin of 50% or more (in stocks generally).
Business man	Very heavy margin 50 or 60 points on some securities (stocks) and outright purchases of others.
Conservative	Outright purchase alone or using such purchases in pledge for an equal or lesser amount additional securities (stocks and bonds).
Ultra-conservative	Outright purchases only (bonds only).

I would put myself into one of three classes if I were going to buy either stocks or bonds, in this way:

Stocks—

As a trader.
As a holder of stocks for the large market movements.
As an investor for a period of years.

Bonds—

As a buyer for income solely.
As a seeker of fair income with possibilities of profit.
As wishing profits by trading in bonds.

And as the last and vital stage in my preparation, I would make a careful classification of many of the stocks on the list, so far as possible grouping them in such a way that it would be easy to select once I had decided upon a certain number of shares of a certain kind. It is obvious that certain of these stocks, as for instance group 1, following, are not for the conservative buyer. That is proved by putting alongside them a rate of income which would be received from bonds of a similar degree of investment worth. That is to say, a bond yielding over 7½ per cent. is about relatively as good as the stocks in the group alongside. And so with the others as shown.

I have not yet said exactly in what securities I would put the $5,000. It seems unnecessary to mention particular issues in view of the plan outlined. There are so many bonds between the different yields mentioned that it is comparatively simple to select from Railroads, Industrials, Utilities or other class such as are desired. There are so many stocks from which to pick that the choice is easy.

Once the investor knows his position precisely and his attitude toward his investment the matter of selection is easy. It is the measuring stick that is most generally needed. The majority of in-

Stocks Approximate Price Per Share	Bonds Approx. Equivalent to the Stocks Opposite	
1. Non dividend pay. (com.)...$20 to $50	Southern Ry. .... Erie R. R......... Kan. City South... American Can .... Colo. Fuel & Iron. Va.-Carolina Chem.	7½% upward
2. Dividend paying (com.).....$50 to $75	Baltimore & Ohio. Butte & Superior.. Mackay Co.'s ..... National Lead .... Studebaker .... U. S. Rubber...... Am. Smelting	6% to 7½%
3. Dividend paying (com.).....$85 to $125	Am. Sugar .... Pennsylvania ..... Southern Pacific .. Bkn. Rapid Trans..	5% to 6%
4. Dividend paying (pfd.)......$85 and up	Atchison .... Great Northern ... U. S. Steel .... Gen. Chemical	3¾% to 5%

vestors need to be told how to invest. If they get that thoroughly, the adaptation of certain stocks, bonds, and notes, to their requirements is a matter only of the cutting of the cloth to the pattern.

What I would do with $5,000 under the rules laid down would depend to a great extent on the condition of the markets. What the situation is at any given time is another element that every buyer of securities must consider if he is to get the greatest results from his work. At the present time it looks as though an investment in stocks sprinkled with bonds is about the most likely for a successful conclusion some months hence.

INVESTMENT OR SPECULATION

Investment Inquiries

NOTE.—Answers as published in this magazine are selected and condensed from the very large number of inquiries received from our readers. All such letters are answered by mail in advance of publication, hence stamped and self-addressed envelopes should accompanying them. Subscribers' inquiries are given the preference in order of answering.

McCrory Stores

W. D.—The McCrory chain of stores, numbering now about 115, have the advantage of some years of successful business. The business was started in 1882, and of course has, like Woolworth and Kresge, demonstrated its soundness as a line of mercantile pursuit.

Money received through the recent financing is, according to the statement of the bankers handling the operation, to go for expansion of the business. It is stated that progress has been made almost entirely through the reinvestment of surplus earnings, but that this method has hampered the growth of the stores.

Whether or not these stores have back of them the personal energy and ability that lies in the Woolworth and Kresge chain is the question which must be open for demonstration. Certainly they would not have reached their present success if there were not considerable business ability in the organization. In 1911 the chain consisted of only 69 stores.

The concern has a very good chance of larger success and its stock is a reasonably good business man's investment.

American Hide & Leather

Your remarks on American Hide and Leather in your issue of May 15, 1915, have been called to my attention.

You state the amount of bonds outstanding to be $8,524,000, but you do not state that through the operation of the sinking fund up to June 30 last there had been acquired for the sinking fund $3,354,000 bonds, leaving $5,171,000 bonds in the hands of the public. The amount of bonds outstanding in the hands of the public the end of this fiscal year should be less than $4,800,000.

I also call your attention to the fact that the company has, according to its statement as of March 31 last, net current assets of over $10,000,000, which is sufficient to cover all bonds outstanding, and to leave over $40 per share in current assets applicable to the preferred stock. Whatever the plants may be worth (I believe they are worth as much as $4,000,000) should be added as value to the preferred stock. In my judgment the preferred stock is worth twice what it is selling for.

Since the company started out (I admit the preferred stock was practically worthless at the beginning) the results have been approximately as follows up to March 31 last:

Bonds in hands of public reduced...	$3,700,000
Net current assets increased........	2,500,000
Plant increased up to June 30, 1914, last annual statement...........	1,100,000
Total	$7,300,000

Since 1902 there has been annually spent for replacements and renewals about $200,000, which is liberal on a valuation of $4,000,000 on plants.

The bonds mature in 1919. If the company does no better than they have in the past (which I agree has not been what it should have been) the bonds will be reduced through the sinking fund to less than $3,300,000, leaving all the balance of net current assets over and above the bonds, as well as the plants, for the preferred stock. This balance of net current assets should amount to considerably over $7,000,000, and, as stated, I believe the plants are worth as much as $4,000,000.

For the time being I think no dividend should be paid on the preferred stock. A little patience should show the value of the preferred stock reflected in higher prices, as well as dividends on it.—M. B.

It is quite true that on a balance sheet showing of net current assets or working capital there is a good equity for the preferred stock. But the company's cash position is unsatisfactory, and the earnings are erratic. The market nearly always interprets the value of a stock on the basis of a going business, not on the liquidating position, in regard to which there must always be considerable doubt. Perhaps we put it too strongly when we said that "the stocks are of little intrinsic worth," but we think our general description of the company's prospects was substantially correct.

Exchanging Notes for Stock

Would you advise exchanging Chesapeake & Ohio notes for Atchison common stock?—C. G.

Chesapeake & Ohio notes are selling on an abnormally high basis of interest yield because they have no large margin of safety.

If you have no loss in your notes, we would think that an exchange for Atchison at present prices is a wise proceeding. The notes are not likely to go above par, so that the total appreciation might be little over ten points under the best of circumstances. For an equally long pull, Atchison stock is likely to gain more. To be sure, your income would be less from the stock than from the notes, but we feel that within the next two years the stock will rise sufficiently to offset this difference.

American Car & Foundry

R. W.—American Car & Foundry is certain to do a large business when the home demand for railroad equipment becomes strong. Its financial position is very strong. It has a substantial surplus account.

Investment Digest

American Agricultural Chemical.—EARNINGS on the common for current year expected to be over 7%. This will mean a dividend balance around $3,800,000. The fact that the company does not do a large export business has enabled it to do better than some other fertilizer companies.

Am. Beet Sugar.—EARNINGS FOR the year ended March 31 showed 8.68% earned on the common stock. It is not expected that dividends will be paid in the near future, although if the company has another good year, which is very probable from the outlook, something on dividends might be forthcoming.

American Brake Shoe & Fdy. Co.—DISSOLUTION of the company effected because of laws of New Jersey forbidding its present form of organization. Expected the company will reorganize under the laws of Delaware.

American Car & Fdy.—LARGE ORDERS, said to have been received by the company from Russia. Co. has received a very large order from the Pennsylvania Railroad. Rumored Co. refused the Russian order on account of the terms of payment.

Amer. Sugar Ref.—SUIT IN LOUISIANA won by the company. This disposes of one of the serious legal difficulties that the company has been confronting for some time. The suit against the company was to oust it from the state.

Atchison.—FISCAL YR. ending June 30 relatively the most successful in the career of the company. Road will probably show fully 9% earned on the common. The year has been one of uninterrupted gains. Net earnings are expected to be larger than for any previous year.

Baltimore & Ohio.—DOUBT AS TO whether the company will earn its full 5% for the common stock is expressed by some. Fully expected that, however, it will earn 2½% for the last six months. Expected that the management will continue the dividend.

Baldwin Locomotive. — POSTPONEMENT of common dividend action was due to the fact that the directors thought best to move wisely because of the depressed condition of business over the past six months. Expected that the question will come up later. Company strengthening its position. No definite facts about war orders available, although general equipment work is better.

Bethlehem Steel.—GROSS EARNINGS for current year expected to run past $75,000,000, as compared with $50,000,000 last year. Present orders said to approximate $150,000,000.

Boston & Maine.—ARRANGEMENTS have been made whereby $5,635,000 notes just matured have been extended for one year. The company was not in a cash position to pay the notes.

Chesa. & Ohio.—MARGIN OF surplus after charges is so small passing of the dividend not entirely unexpected. On the basis of estimated earnings up to June 30 there is likely to be left over less than $100,000 after all deductions are made.

Chic., Mil. & St. Paul.—EXPECTED TO have a large business from crops this year. Freight business already showing signs of improvement.

Chic. & Northwestern.—EARNINGS for the common stock for the current year expected to run about 8%, possibly a little less, which is about equal to last year. Expected that the good crops will mean much to the Northwestern.

Continental Can.—BUSINESS FOR the first five mos. of 1915 larger than for same period 1914. Net earnings for the year expected to be very much larger than 1914, when 10.69% was earned on the common.

Cin., Ham. & Dayton.—DEFAULT HAS been made on its General 5% bonds. It is expected that this is the last default, and that receivers will continue to pay interest on bonds as yet undefaulted. These are the bonds of the C. H. & D. R. R., not of the Railway a larger issue already in default.

Crucible Steel.—DIVIDEND prospects on the common stock remote. Stock has been active and strong on war order reports, but no large orders are confirmed. Company has a rather small working capital.

Cuban-American Sugar.—EARNINGS on the common stock expected to approximate $60 per share from present indications. Earnings for the 1914 year were about $30 on a share. Expected that the preferred dividend in arrears will be paid off this year. It amounts to 7%.

Diamond Match.—PRICES OF certain of its products have been advanced from 6% to 10% because of the greater cost of manufacture, due to the cutting off of chemical supplies from abroad.

Distillers Securities.—ALCOHOL productions very large on account of war business. Some of the Cos. whiskey making plants may be turned over to the making of alcohol.

Du Pont Powder.—TREMENDOUS EXTENSIONS to plant are being made on account of war business. Large melon believed to be ripening in the stock, but it is not expected the melon will be cut until the results of war business are pretty well established.

General Electric.—WAR ORDERS NOT known to be large, although stock has had a strong market. Both domestic and export business increasing.

General Motors.—STOCK DIVIDEND rumored. Co. will earn a substantially larger surplus than in 1914 fiscal, when balance for

the common stock was equivalent to 37.6%. Up to March 1 sales were more than ¾ of the entire 1914 output.

Goodyear Tire & Rubber Co. — INCREASED its sale of automobile tires in 6½ mos. to middle of May 15%. Whole business flourishing. War orders small. Increased business due to general demand. Plants running 24 hours per day.

International Harvester.—NEW JERSEY COMPANY earned 13.4% on common stock in the year ended Dec. 31, 1914, against 14.5% in 1913. Harvester Corporation earned in the same year 5.4% on its common, against 12.6% in 1913.

International Nickel.—RECORD EARNINGS expected this year, due mainly to war orders. Earned for the year ended March 31, 13.31%, as compared with 11.19% in previous year.

International Paper.—SALES THUS far this year have been running at the rate of about 10% below the 1914 figures. On this basis of production the Co. will earn about 4.50% on the preferred stock.

International Steam Pump.—BUSINESS during May the best experienced in a long time. Business done amounted to $900,000. Publication of the plan of organization is expected to be given out soon.

Kansas City, Mexico & Orient.—REORGANIZATION plan nearing completion.

Kansas City Southern.—GROSS EARNINGS decreased about $700,000 over the ten months ended April 30. Net decrease about $350,000 over same period.

Lehigh Valley.—EARNINGS OF about 12% on common stock expected this year. Improvement in earnings has come since the first of the year.

Loose-Wiles Biscuit.—BUSINESS over March quarter considerably better than same quarter of last year. Company earning its dividend on the 1st preferred easily.

Maxwell Motor.—NET PROFITS for the year to end July 31 are expected to be about $3,000,000. Business is very good.

Missouri Pacific.—EXTENSION of notes due June 1 was made effective after a large majority had agreed to extend the time. Company doing fairly well.

New York West. & Bost.—APPROVAL of merger of this company with Westchester Northern approved by the Public Service Commission of New York State. The latter is a proposed extension to Danbury, Conn. The consolidated road when completed will include a connection with the Poughkeepsie Bridge route, and afford New Haven another tide-water outlet for coal traffic.

Northern Pacific.—SURPLUS after dividends for the year to end June 30 next expected to be about $1,000,000. This would make a showing of about 7½% on the stock. Large reduction in operating expenses a feature of the past year. Although president of Co. is not over-optimistic, he believes traffic conditions will be good this fall.

Pennsylvania R. R.—GROSS EARNINGS in April increased on lines west of Pittsburgh. East of Pittsburgh gross decreased $488,831. A reduction in passenger traffic accounts for a considerable part of the loss in gross.

Pere Marquette.—DATE OF SALE has been fixed as October 1 by court unless some satisfactory plan of reorganization is presented quickly. Underlying bondholders guarantee to bid at a sale of the road a sufficient sum to clear away the equipment indebtedness and their own claims. It is believed the system will bring $40,000,000. Reorganization expected at an early date.

Pressed Steel Car.—ORDERS FOR more than 5,000 freight cars booked in the last few weeks. Unfilled business is larger than for some time past. Company has gotten a very substantial proportion of the equipment business over the past few months.

Pullman Co.—LARGE CONTRACT with the Russian government for freight cars under negotiation approximating $25,000,000 to $30,000,000.

Republic Iron & Steel.—DIVIDENDS on the preferred stock were not resumed at the directors' meeting last week in May. Company is earning more than 7% on the preferred, and is expected to resume dividends before long.

Reading.—GROSS EARNINGS for the first nine months of the year showed consistent decreases until April, which is the first month showing an increase. Considerable improvement in the anthracite traffic.

Rock Island.—DEFICIT AFTER charges of approximately $1,000,000 is likely to be shown if fourth quarter does not show up any better than expected. During present year freight traffic has been good, but an increase in interest charges, hire of equipment and loss of other income causes the deficit.

Rumely, M. Co.—REORGANIZATION will be attempted if business conditions keep on satisfactorily. It is felt that this would be better than liquidating the company as was originally intended. Assets of the company appear to be about $17,000,000.

Sears Roebuck.—SALES FOR May were $3,464,713, a gain of $912,403 over May, 1914. The increase was about 12%, while sales since Jan. 1 have been $3,606,781 larger than a year ago.

Southern Ry.—NET EARNINGS gained in April for the first time in the current fiscal year. But gross for April was more than $589,000 back of last year's. Improvement all over the lines seems to have set in.

St. L. & San Francisco.—REORGANIZATION plan has been approved by all parties concerned, and is now ready for presentation to the various interests involved. Assessment on the stock not yet fully decided, but expected not to exceed $15 per share.

Tobacco Products Co.—EARNINGS for the year 1914 were at the rate of 12½% on the preferred stock.

Underwood Typewriter.—EARNINGS at the rate of $90,000 net per month. Twenty per cent. betterment in net since January 1. The 4% common dividend is being fully earned.

Union Pacific.—EARNINGS OF about 12% expected to be shown on the stock of the company during the current year. Improvement in its business going on steadily.

United Fruit.—BUSINESS HOLDING wonderfully well. Tremendous profits have been made this spring, much of it due to the sugar business of the company. For April and May net is expected to show about $2,500,000, or $900,000 more than a full year's interest on its bond and note debt.

U. S. Cast Iron Pipe & Fdy.—STOCKHOLDERS' meeting June 23 to vote on resolution to decrease capital stock by cancelling 5,000 shares preferred and 5,000 shares common. Stockholders will also be asked to change fiscal year.

United States Realty & Improvement.—ANNUAL report for year ended April 30, 1915, shows net income of $1,404,636, as against $1,919,038 for the previous year. Surplus available for dividends was $808,136, against $1,322,538 last year.

United Shoe Machinery.—EXTRA DIVIDEND expected after June meeting of directors. Rumored that it will be 10% in stock and $2.50 cash. Talk of serious competition to be started by the Singer Mfg. Co.

United States Smelting.—PROFITS for the month largest in the history of the company. Generally bullish situation in smelting situation is giving the company big business.

United States Steel.—FAVORABLE decision in the United States District Court that the company is not a trust in violation of the Sherman Law. Appeal will be taken by the government to the Supreme Court. Business constantly improving.

Va. Carolina Chem.—COMPANY HAS officially told the public that the scrip for its preferred dividend can be sold practically at par, and that it is not necessary to sacrifice it at a big discount. Business picking up somewhat.

Westinghouse Elec.—WAR ORDERS expected to produce large profits. Most war business being handled through a separate organization, which is taking over the Stevens Arms Co. in Massachusetts. Unfilled orders of the company at end of fiscal year March 31 amounted to $8,951,410, as compared with $7,951,385 last year. Gross for the year was only 77% of last year's figures, but the 4% dividend was earned with a slight margin to spare.

WRITE FOR THESE BOOKLETS

Current Investment Literature

Available for distribution to investors on request, accompanied by mention of The Magazine of Wall Street

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An Investment Encyclopedia

The largest and most complete book distributed among investors gratis is the "Investors' Almanac," a veritable mine of practical information as to buying and handling of investments. Bowman, Cost & Co., St. Louis, Mo., are distributing this useful handbook.

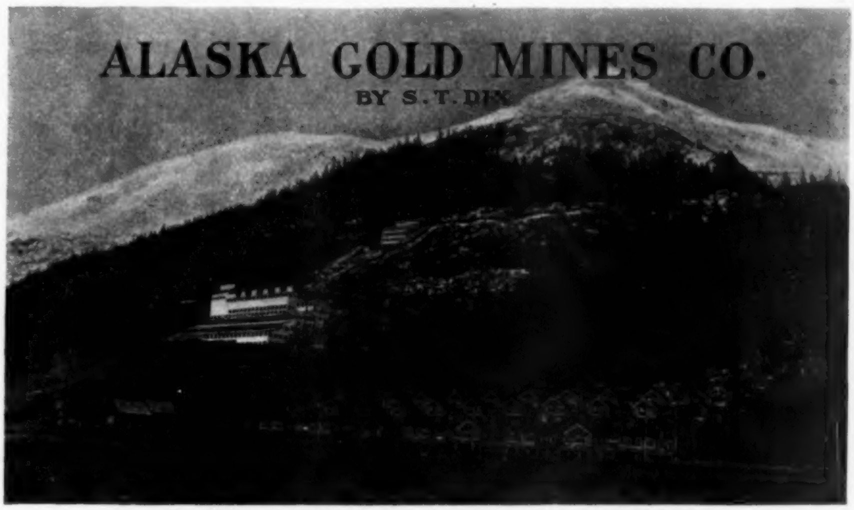
For the Buyer of Railroad Securities

A useful and accurate compilation giving the record of operations of most of the railroads in this country is contained in a folder-pamphlet issued by Thompson, Shonnard & Co., 20 Exchange Place, and entitled "Essential Statistics of Important Railroads."

Small Bonds Discussed Simply

In a brochure, "Answers to Questions About $100 Bonds," Beyer & Co., 55 Wall Street, New York, go over the principal questions that are often asked by investors who buy small bonds or other securities in small amounts.

MINING AND OIL DEPT.



Big Mill at Left Centre, Crushing Plant Above and Cottages

THE application of methods developed in the extraction of copper to the recovery of gold; that is the concrete idea around which the Alaska-Gastineau mill and plant is built. In the carrying out of this idea of adaptation there has been no latest wrinkle omitted. About ninety days since, the men responsible for the huge construction work of the plant gathered to watch the machinery go into action. The first unit of the big mill began operations as though it had been in the business for years and the wheels have not ceased to revolve since.

It has long been our custom to point to the Homestake of South Dakota as a manufacturing plant turning out gold bullion and every promoter and claim owner with a low grade property has been wont to speak of his claim or claims as the "makings" of a second Homestake. Apparently the time has arrived when the Homestake must yield its accustomed first place among mines of its kind to a newcomer.

The magnitude of operations at the Gastineau are hard to gather from mere statements and figures on paper. It should be remarked by way of explanation here that the Perseverance Mine, upon which the greater part of the development work of the Alaska Gold Mines Company has been done so far is owned by the Alaska Gastineau Company, an English corporation, while the stock of the Alaska Gastineau is owned by the Alaska Gold Mines Company. In speaking therefore of the Gastineau Mill, as is customary, it should be understood that it is the Alaska Gold Mines property and mill that is designated.

To resume, then, the basis for the huge operations is the metal in the ground, to reach which the Sheep Creek Tunnel has been driven into the mountain for a length of over 10,000 feet, having a bore ten feet by twelve feet. The ore body as developed is all above this tunnel level, which constitutes the main haulage way; the openings, drifts, cross-cuts and raises, making a total of thirteen miles of openings. For the past fifteen months, attention has been concentrated upon getting the ground ready for stoping rather than upon the blocking out of additional ore reserves.

Engineers figure one hundred million tons of ore of an average recoverable value of $1.50 per ton. These estimates are only intended to cover the ground which has been partially opened or has

been made ready for extraction. As to the greater possibilities, Mr. Jackling is quoted as saying that at any capacity that could be commercially conceivable the tonnage of ore is so great that the life of the property should be stated, not in years, but in generations.

On the hundred million tons of ore it is plain arithmetic to say that the present mill handling ten thousand tons per day when operating at capacity could run thirty years, and present known ore probably will be doubled or trebled as development work goes forward. So long as the ore bins can be kept filled and ample working reserve in the mine it is much more workmanlike to allow the development to maintain the ore reserves undiminished rather than have a lot of dead work done long before it is necessary.

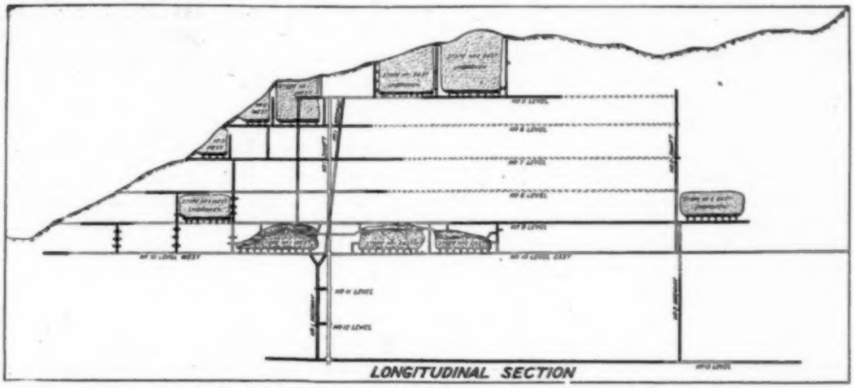
The stopes which have been made ready are handled by caving, the ore dropped through chutes to the bins of the tunnel level, where it is loaded on thirty-car trains and hauled 18,000 feet by electric trolley to the tipple or dump of the coarse crushing plant. The tipple is a steel rotating cylinder large enough to receive four of the ore cars at one time, each car holding ten tons, an operator pulls a lever and the tipple rotates the ore is delivered to the ore pocket, the cars are replaced by four more loaded ones and in a few minutes that line of empties is on its way back through the tunnel for another three hundred tons of ore.

The equipment of a modern low grade mine is in striking contrast with the old-fashioned ramshackle extravagant temporary construction, typical of most mines a generation ago. Present-day mining methods are as exact and efficient as those said to prevail at the Chicago Stock Yards, where it has long been the boast that nothing went to waste, save the squeal and the smell. Certainly nothing about the Gastineau mill is to be allowed to go to waste, labor least of all. There is no multiplication of hands with the moving of large tonnages of ore. When the ore, forty tons at a time is dropped from the tipple to the ore pocket, it starts on a downward journey that never ceases, falling until the tailings are finally deposited in salt water and the high grade bullion sent one way for treatment in the furnace and the concentrates ready for shipment and refining. In fact this downward journey began with the breaking down of the ore in the stopes and its dropping down the ore ways to the main haulage tunnel level. There is but one upward journey for any part of it. There are a pair of automatic skips, each holding three tons that take the oversize from Garfield rolls back for regrinding. Beyond this momentary interruption the ore moves constantly by gravity, eliminating all hoisting costs.

The power plant is practically completed and will develop some six thousand horse power at a cost of one thousand dollars per month. Two stations have been built on Salmon Creek; Pelton water wheels are used, while another power station is being built at what is known as "Annex Creek." In order that there may be no interruption of operations, there is an auxiliary oil burning power plant at Thane, which is to fill in in case of emergency.

The time will soon come when Gastineau Channel is to figure very considerably in making up the estimates of annual gold production. Directly across from Thane on Douglas Island lie the Alaska Treadwell, the Alaska Mexican and the Alaska United, three properties, that have long been in the dividend list and whose ore bodies are among the largest known. On the Alaska Gold side of the Channel, the Perseverance is not to be without rivals. The Bradley interests, which are dominant in the Treadwell properties on Douglas Island are making plans for a huge mill to be erected on the Alaska Juneau, whose acreage lies immediately adjoining the Perseverance.

Next to the Juneau lies the Ebner ground, in which the United States Smelting, Refining and Mining Company has acquired an interest and which will undoubtedly in time be made a third huge gold producer. Gastineau Channel seems to the average reader along the Atlantic seaboard to be far out of the world and a part of the frozen north. At the sea level, at Thane, however, the



Showing workings in ore body of average width of 100 ft. for length of 4,000 ft. (approximately)

average temperature is but about four degrees colder than that of Boston, Mass., and by no means as cold as the winters in the northern part of New York State. It will be perfectly easy to continue work at the Gastineau throughout the winter without interruption, so far as weather conditions are concerned.

Organization

The Alaska Gold Mines Company was organized in August, 1912, and owns a controlling interest in the Alaska-Gastineau Mining Company, which, as stated above, is the operating Company. The authorized capital is ten million dollars, of which three-fourths is outstanding. To take care of financing, while the mill was in course of erection, a convertible bond issue was made of one and a half million dollars. Stock to protect the convertible privilege is held in the treasury at $30 per share.

Considering the bonds as all converted, the outstanding capital liability of the Alaska is eight hundred thousand shares. On a market valuation of $35 this would give the property an appraisal of twenty-eight million dollars. The dimensions of the ore body have not been definitely defined, for the reason that it would be unnecessary work at this time, but as it is known, to quote Mr. Jackling again, "that the life of the mine may be measured in generations" it becomes a part of analytical progress to turn to the earning capacity to get some proper point of view for the investor.

Earnings

The present working unit of the mill started in February and in March there was treated forty thousand tons of ore. The material as delivered by the fine crushing plant averaged $1.85 per ton; the tailing assays showed 30 cents per ton, indicating a saving of $1.55 per ton. Estimates based on the experimental work in the old mill were 75 cents per ton, thus leaving 80 cents per ton as profit. The present mill, of which the first unit is now in commission, was originally intended to handle six thousand tons per day. It has been proven already that it is capable of treating ten thousand tons and the plans are now under way for a milling plant that will be double the present mill when completed and will handle twenty thousand tons daily.

Taking, however, the capacity of the present mill for the purpose of estimating earning power, it is a simple calculation to figure a profit of $4,800,000 on an eighty-cent profit, handling twenty thousand tons daily for a year of three hundred working days. This figure is equivalent to $6 per share on the present capitalization, taking the bonds as converted. This figure cannot of course be realized until the entire capacity of the mill is in operation, but taking two-thirds of this earning power, say $4 per share, which is surely conservative in view of the known conditions, there is a return of 11.43 per cent. upon the stock

at a market price of $35 per share. Taking six and one-half per cent. as return upon the capital invested, one has left five per cent. as an amortization charge, which will wipe out the original investment in twenty years.

These figures would not be correct as a working basis for a property of smaller possibilities. Ordinarily the amortization charge should be at least ten per cent. and the return the same. It is not possible, however, to figure Alaska Gold as one would a small high grade mine of uncertain life. In taking this estimate one has a six and a half per cent. investment, protected by a depreciation charge and has left as speculative possibilities, the element of lowered costs. It is confidently anticipated that eventually Alaska Gold will bring mining and milling charges down to 60 cents per ton. One also has the certainty of not a little higher grade ore, which will "sweeten" up the regular mill runs and which will be all gross addition to net profit.

It remains to be said in this connection that it has almost invariably proven to be the case that mills of the Gastineau type exceed estimated capacity, as indeed the present unit has already shown, so that, all in all, the estimated returns, figured here may be looked upon as within conservative limits.

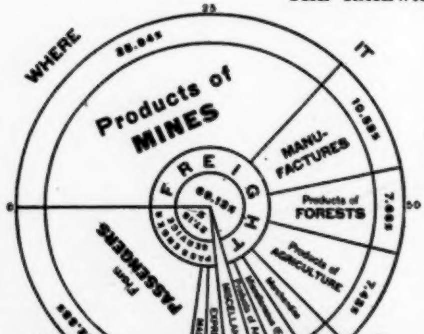
D. C. Jackling

Mr. D. C. Jackling, the moving spirit of Alaska Gold, has had a remarkable career, built upon the profitable handling of immense tonnages of low grade ore. Mr. Jackling began with Utah Copper; the properties at Ely Nevada followed—Nevada Consolidated finally made a part of the Utah Copper organization; Ray Consolidated, Chino, and now the Gastineau are successive triumphs of Mr. Jackling and his staff. Mr. Jackling has accomplished more in the direction of placing copper mining shares upon an unequivocal investment basis than any one in all copperdom. The properties over whose destinies he presides turn out something more than three hundred million pounds of copper annually.

Just what dividends they may be earning at the moment on the ruling abnormal copper metal market is problematical; but what has been done for copper is now being done in gold mining, and with the added certainty of a fixed price for the product.

It has long been a custom of financial centers of the East to raise the eyebrows when mining shares were mentioned. It would be hard to point to a single old-fashioned objection that provoked the skepticism mentioned, that has not been quite eliminated from Alaska Gold. With ore tonnage proven and extracted costs known its earning power, therefore, is subject to intelligent estimate.

THE RAILWAY DOLLAR



Where it came from

The shaded circle shows 78.83% Operating Expenses and Taxes.
The Black Belt beyond 70% is the Danger Zone.

Where it went

Mining and Oil Inquiries

Copper Range

R. S. B.—Just now the outlook for the Coppers is so good that many are going into this class of stock, so that your Copper Range ought to show you a profit. By every indication for the future, the metal ought to rise even further, which, of course, ought to carry the copper stocks up farther. As to the big profits your friends are predicting (90), we would hardly be so optimistic. Yet, if the situation in the trade works out as expected, and we have anything like the market in coppers we had six years or so ago, you might get that large profit.

We would wait for a reasonable profit, but no such big increase as 30 or 40 points.

Hold Your Coppers

MAGAZINE OF WALL STREET:

Dear Sirs.—At the present time I have
10 shares Nevada Copper, bought at.... 14
5 shares Chino Copper, bought at...... 36
5 shares Ray Copper, bought at........ 17⅛
5 shares Miami Copper, bought at...... 17⅛
2 shares Con. Gas Co., bought at......115⅜

What I want to know is, shall I sell the above issues and take a profit, and then buy into preferred issues like U. Pacific, B. & Ohio, Am. Sugar? I would like to see the answer in the next issue.—H. V.

H. V.—You have given a hard question because, from the outlook, copper stocks are likely to have considerable appreciation over the coming months. The railroad stocks also are likely to have an appreciation, especially that the past few days has brought them down so low. The question is, therefore, which will go up most. That, as you see, is a hard guess.

But of course the only way to take profits is to take them. And again, you should realize that in buying high-grade railroad stocks, with a small amount of money, you get few stocks, so that a few points profit on a very small number of shares might not be as much as the ultimate profit resulting from the coppers.

As a suggestion, however, if you do sell the present holdings on which you have a profit, you might buy some Butte & Superior Copper, and say Kansas City Southern, preferred. We would hardly advise you to sell your cheap coppers for the sake of going into such very high-priced stocks like Union Pacific.

Chile Copper

T. M., Penna.—Chile Copper owns possibly the largest known copper deposit in the world. It is controlled by the Guggenheim interests. Partial development is said to have proven 300,000,000 tons of 2 per cent. ore. Copper costs are estimated at 6 cents per pound. Milling operations are expected to begin within sixty days. On the present price of copper, profits will be very large. The capital is $110,000,000 (including the stock held in the treasury against the conversion of the $15,000,000 bond issue). Par value is $25. It is estimated by the controlling interests that the company can earn $2 per share on 13-cent copper. On a basis of 18 cents, earnings would be more than $3 per share, or equivalent to about 17½ per cent. on the present market.

Miami

J. K., Wash.—Miami Copper has a life of about twenty-three years. Its current earnings are large, owing to the price of copper. Its present capacity will hardly be increased, and its outlook depends altogether upon metal market conditions, which are now most favorable.

Pierce Oil Corporation

H., Meadville, Pa.—Current information on Pierce Oil Corporation is very scarce. The report for 1914 is not yet at hand, but with the facts at hand the situation appears thus:

The readjustment of the finances of the Pierce Oil Co., having been perfected only about a month before the outbreak of the war, the securities are still largely in the hands of underwriters, and no attempt to broaden the public interest is likely until the fracas in Mexico gives evidence of clearing up. You should bear this in mind in case you are looking for an immediate profit.

The record of the company is such as to hold forth considerable promise to the patient waiter who buys the stock at $12¾-$13¼, or the convertible bonds at the present market for these securities. There are 464,000 shares, par $25, and $10,000,000 bonds. On December 31, 1913, the net quick assets were $4,758,164.

Practically nothing has been published in the affairs of this company since the announcement of the capital readjustment plan. In response to our request for information, we are in receipt of the following official statement:

The fiscal year of the Pierce Oil Corporation ended December 31, and the auditors are now at work completing the report for the year.

The year 1914 will probably develop to be an unusual year in the Pierce Oil Corporation's affairs, due to the revolution in Mexico and the foreign war. The company has an enormous retail distributing oil business throughout all of Mexico, and due to the continual state of revolution there they have been unable to ship oil to the interior except at a very few odd moments, with the result that they will not make any money out of the Mexican business in 1914, and it will probably show some slight loss as against a very substantial profit of 1913.

From figures at hand up-to-date it is estimated that the Pierce Oil Co. will earn about twice its bond interest in 1914.

How to Judge Values of Copper Stocks

By HERMAN MAXIMILIAN JACOBY

ALTHOUGH Mark Twain's famous definition of a mine as "a hole in the ground owned by a liar" still has a certain justification in view of hundreds of abominable wild cat schemes, there exists no reason why the careful investor should not approach a first-class copper stock with the same investigating spirit as he would a railroad or a manufacturing plant.

In selecting a stock for his transactions it will, as a matter of course, always be advisable to eliminate as much risk as possible, even although the chance of profit may thereby be lessened to accomplish this, as it proves to be a good policy to select a mine, the life of which can be estimated with reasonable accuracy. This is chiefly possible in the case of the porphyry properties such as the Utah, Nevada, Chino, Ray, Miami, Inspiration, Braden and Chile copper companies. Here the copper does not occur in the form of a vein, the length of which could only be guessed but never exactly be estimated, but occurs rather as a constituent of the country rock, so allowing exact figuring.

Another policy for eliminating as much risk as possible is the tendency to select a mine which produces copper at a very low cost, in order to enable it to make money even in an unfavorable copper market. So when the European war broke out the Utah Copper Co. proved to be the only property depending for its revenue on its copper alone which had not to change its dividend policy.

Copper Costs

The table below gives the approximate cost of production in cents per pound for the leading copper stocks.

After thus having eliminated as much risk as possible, a study of the influences ruling the trend of copper stocks should prove to be valuable. We may summarize these influences as follows:

a. The movement of copper metal prices.

b. The factors influencing the copper metal prices (statistics).

c. The factors ruling the cost of production.

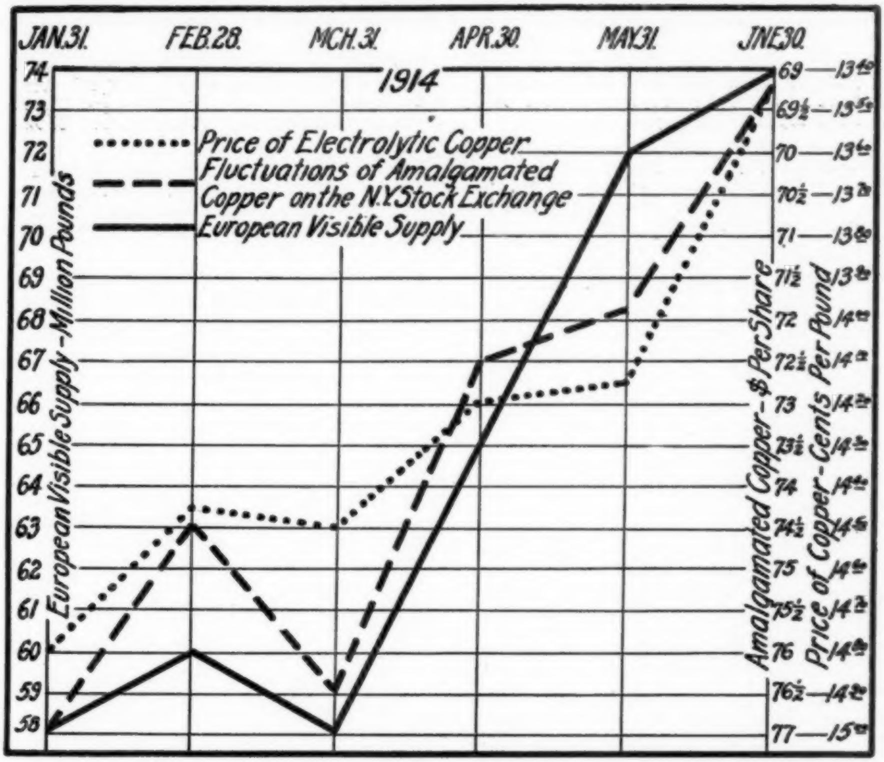
d. The discovery of new ore bodies.

e. The technical conditions of the stock market.

The chart herewith, which speaks for itself, will throw a light upon the parallelism between the copper favorite of the New York market, in combination with the European visible supply statistics of Henry Merton & Co., and the price of electrolytic copper over a normal period

COPPER COSTS
in cents per pound.

Anaconda	10	Nevada Cons.	9½
Braden Copper	8½	North Butte	9½
Calumet & Hecla	11	Osceola	11½
Calumet & Ariz.	7½	Phelps Dodge	8½
Chino Copper	8	Ray Cons.	8¾
Copper Range	11	Shannon Copper	13½
Granby Cons.	10½	Shattuck	7½
Greene Can.	9½	Tennessee Copper	11
Miami Copper	9¼	Utah Copper	8
Mohawk Copper	11½		



of trading. There is no question, that these latter factors are the most important ones as price rulers, although it is indispensable never to lose sight of the other factors mentioned. For example, a new production process installed at a mine may temporarily overshadow the metal situation.

In contemplating the outlook for copper, the price of the red metal will, as is the case with every commodity, be subject to the law of supply and demand. Regarding the demand no exact prediction can reasonably be made at this time as to when the resumption of electrical construction all over the world will begin, nor can it be foretold how the armament industry may profit or lose through the coming peace arrangements. It may be said, however, that the future of this, as of every other business, will largely depend upon the accumulation of capital, and as it is a fact that much more money is saved in times of commercial depression than in those of booms, the outlook for available capital cannot be regarded as gloomy. It is estimated that about six billions will be available for new investment and construction work, if not absorbed by foreign government financing.

Regarding the question of supply, the fact must be borne in mind that in a few years from now the production of the Chile, Inspiration and Cornelia Copper companies amounting to about 160,000 tons maximum will come to the market, which would mean that the consumption of copper would have to experience an increase of about 16 per cent. within the next few—say four—years, or about 4 per cent each year, in order to absorb the new production. This increase, however, should easily be accomplished

With an ever growing trend towards the use of electricity, not to speak of the large amounts of copper used for armament requirements and the rebuilding of destroyed property, the holder of good copper shares may confidently look towards a satisfactory development.

Mining Digest

Ahmeek Mining Co.—Dividend increased on June 2, when the directors declared a dividend of $10 per share, largest ever paid in the company's history.

American Zinc, Lead & Smelting Co.—One-half of the Co.'s output for the last half of the year has been sold at the rate of 16c. per pound, this covering in large measure the lower grades of the company's product, leaving a large proportion of the best brands, which are commanding today close to 25c. per pound, yet to be sold.

Arizona Commercial.—Bulk of shipments to be made to Copper Queen smelter. On its contemplated production company will earn $25,000 per month. Company plans to produce 3,000 tons per month of smelting ore averaging 5.75% copper and 1,000 tons of concentrating ore or 4% grade.

Arizona Copper.—Largest output in history in April, when 4,200,000 pounds were produced.

Butte & Superior.—Estimated that Butte & Superior will earn during the seven months from June 1 to Dec. 30 a profit of between $25 and $30 per share. At the present rate, production would run 100,000,000 pounds per annum, from which a profit of over $15,000,000 could be realized if prevailing prices should continue for 12 mos.

Calumet & Arizona Mining Co.—New railroad running to the company's property at Ajo, Ariz., about to be commenced. This is a road in which this mining property, the Rock Island and the El Paso & Southwestern are interested.

Statement explaining dividend declaration of 50c. per share issued by the company.

Chile Copper.—Operations on the great mine begun on the 18th of May, when the President of Chile pressed a button starting the works.

Comstock Tunnel Co.—Contentions of the company in suit pending between that company and the Mexican Mining Co. were upheld by Court in Nevada. Stock rose from 8c. to 20c. per share on the news.

Consolidated Copper Mines Co.—Suit instituted June 1 by western and other shareholders to compel the return to them of stock of Giroux and Butte & Ely Consolidated which they exchanged for stock of the Consolidated Copper Mines Co.

Copper Range.—Earning at the rate of about $12 per share and making its copper for less than 7c. per pound. Management of the company expected to take advantage of the present strong earning power to get the company in a favorable cash position. Not expected dividend will get much consideration until then.

Goldfield Cons.—Production for April was 30,872 tons, from which $154,257 net was realized. Mining costs averaged $3.46 a ton and milling and transportation $1.92 a ton.

Greene-Cananea Copper Co.—Preparations said to be under way for a resumption of the work at the mines and that the outlook was favorable for an early resumption of mining operations.

Granby Consol.—Floating debt has been cleared off through the issue of $2,000,000 bonds, which stockholders subscribed for at par. Through this action it is believed dividend action can be taken, which is expected at the June directors' meeting or a special meeting.

Kennicott Copper Co.—Sold $10,000,000 1st mortgage 6% bonds to J. P. Morgan & Co., all of which have been sold privately. This company was recently organized in New York State and took over the copper properties in Alaska formerly owned by Kennicott Mines Co. and a majority of the stock of the Beatson Copper Co.

Mohawk Mining.—Production during May 864 tons, as compared with 688 tons in the same month preceding.

Nevada Conolidated.—Annual statement for the year ended Dec. 31 shows earnings: Gross, $7,052,499; net, $716,977; surplus after charges, $1,763,020; deficit after dividends, $486,369.

Nipissing Mines.—Profits for April, $115,967. Since war began the company has been sending large quantities of silver to London.

Old Dominion.—Dividend increase of 50c. per share declared. Mine output now at the rate of 2,300,000 pounds of copper per month. Smelter output will be 2,800,000 pounds. Management will push production even more.

Quincy Mining Co.—Dividend increased from a $4 to an $8 basis. On June 2 a $2 dividend was declared, payable June 28.

Stewart Mining.—Earnings said to be running about $75,000 net monthly. Gossip is to the effect that the ore in this mine will be exhausted before long.

Utah Copper Co.—Annual statement for the year ended Dec. 31, 1914, shows gross, $16,222,456; net, $8,730,422; surplus after charges and dividends, $3,850,606. Earning between $13 and $14 a share on the basis of present prices. Directors say that continuation of present strong copper market will witness higher dividends.

Wolverine Copper Co.—Production during May 450 tons, as compared with 456 tons in preceding month and 415 tons in May, 1914.

TRADERS' DEPARTMENT

Scientific Placing of Stops

How One Student of the Market Adjusts His Stops to Conserve Profits

IN the issue of THE MAGAZINE OF WALL STREET for November, 1911, there appeared a chart sent in by one of our readers called "Indication of Volumes by Belt Line Rules," with a brief explanation of the way the chart was prepared and how to use it. The idea has since been taken up by other students of the market and worked out more or less elaborately.

It is never possible to assert dogmatically that such a scheme is "no good," because its value depends so largely on who is using it. The inexperienced trader would probably lose money by trying to operate on the basis of these "belt line rules." But it is entirely possible that an operator of more experience and skill might be able to use this chart and get some benefit from it.

A modification of this plan has recently been submitted to us by Mr. D. M. LaPorte, which will undoubtedly interest many traders, regardless of whether it will do all that Mr. LaPorte claims for it or not.

As a starting point, we reproduce herewith the "Belt Line" chart, with the explanation as given in 1911:

"Keep a chart like the specimen shown herewith. Add the total shares dealt in at above the middle price of the day and the total below that price. Subtract the lesser from the greater, putting down on the chart the excess sold or bought as shown. Also put down total sales of the stock for the day.

"Mark the middle (mean) price with a line across the day's range. If no middle price is obtainable, use the two that mark the middle. Example: On Tuesday, January 31, 177¼ is the middle price. Do not use the shares sold at that price. Add above and below. On February 1, Wednesday, there is no middle price. Add 176⅞ and all above; add 176¾ and all below. The total of the day must include every price stock sold at.

"It is claimed by the originator of this chart that good results are obtained by buying in the morning of the day following the first day that a heavy balance shows in the lower half of the day's chart, provided it occurs in the first half of a week. Also by selling in the morning of the day following the first day that a heavy balance shows in the upper half of the day's chart if it occurs in the first half of a week.

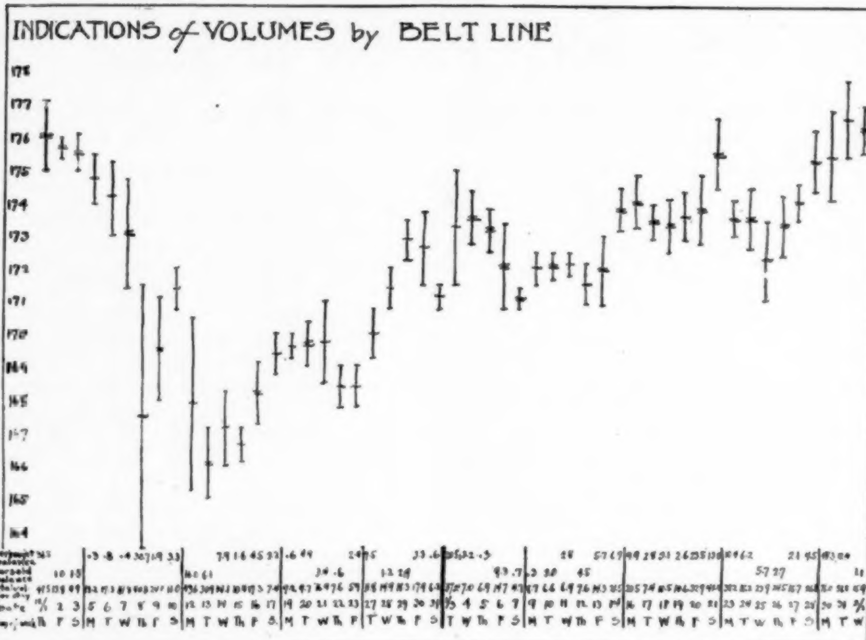
"An operator should never turn on the market in the last half of a week; he may, however, take profits or add to his holdings.

"One may add to his holdings on days when, in case the market opens above the 'belt-line' of the previous day and he is already long, and the stock reacts to the belt-line figure. This may also be done in case the market opens below the belt-line of the previous day and he is already short, and stock reacts to the belt-line figure.

"The use of these rules requires careful study, but our correspondent thinks they constitute one of the best sets of rules that can be applied to volumes."

There is, of course, considerable common sense behind this idea. When the market declines several points in a single day and meets more and more resistance the lower the price goes, it may naturally be expected that more sales will be made in the lower half of the day's price-range than in the upper half. There is more demand at the lower range, sellers find more buyers, and therefore more transactions are consummated. And the reverse would apply when the market advances sharply and meets more and more stock for sale as it goes up.

On the other hand, the student who



starts in to apply this idea will find many exceptions. The speculative cross-currents in any active stock are so complicated that no such principle as this can be expected to work out with uninterrupted regularity. It is only by the application of many such ideas and by mixing a liberal amount of judgment with them that the trader can expect satisfactory results.

Coming now to Mr. LaPorte's application of this idea, he does not attempt to use it in determining the trend of the market or even as a direct help in deciding when to buy or sell, but merely as an aid in the placing of stop orders. He says:

"To place a stop loss order on any speculative transaction or no, is an endless dispute between adherents and opponents. The adherent school, having to their own satisfaction vanquished the enemy, are rent into factions among themselves as to the amount of such stop loss to be taken. The preponderating opinion leans to two points, but no other reason is given than long custom why the loss should be limited to two points.

"The real point to decide is the direction of the trend. Is it up or down? For a certainty the trader cannot know. The usual way he gets the trend is from his interpretation of the averages of a selected list of 10 or 20 stocks, his own selection or a public one, and in addition thereto, his reading of charts of individual stocks, if he keeps any. No better way is generally known. The principle is sound, although the experts may differ on the readings. When the averages are semi-dormant and fluctuate in a narrow range for a length of time, the experts are also dormant, and are forced to go outside of the averages to get the trend."

The trend having been determined, by whatever methods the trader sees fit to use, the next question is where stop orders are to be placed. If he had a perfect knowledge of the market, there would be times when a one-quarter point stop loss would be suf-

ficient. At other times, owing to the different character of the market, five points would be needed.

Now, says Mr. LaPorte, the scientific place to put a stop order would be at the points where what he calls "pool accumulation" or "pool distribution" has been observed. The "pool" will not be likely to let the price go more than half a point or so below the point where they have bought heavily; or if they are operating on the short side, they will not permit a rally much above the point where they have sold.

But this "pool" accumulation or distribution, he says, is usually indicated by a heavy "balance" of transactions in either the upper or the lower half of the price-range for the day—this balance being figured as above explained on the principle of "belt-line rules." The balance during accumulation may be either above or below the belt line, and likewise in distribution. In either case what is shown, according to his theory, is the presence of "pool" manipulation in the stock. This tends to throw the transactions for the day "off balance," and whether the balance is above or below the belt line does not signify, for Mr. LaPorte's purposes.

Hence, he says, "in a scientific way the proper place to stop loss, when working on the long side, would be about one-half point below the last daily mean price of a previous reaction, made on a heavy balance of transactions in the stock on either buying or selling side.

"Except on days of heavy volume I find no particular significance in Bought or Sold balances; but two things stand out prominently, (1) at the end of a campaign the Bought and Sold balances are practically equalized, and (2) accumulation is usually on sinking averages and distribution on rising averages, after a mean of the swing upward or downward has been passed."

To illustrate the practical workings of this method, Mr. LaPorte has prepared the table herewith, showing prices and transactions in Reading for about one month beginning March 20, 1915. He assumes that the trader had correctly diagnosed the trend of the

READING—PRICES AND BALANCES

1915.	Range.	Mean Price.	Total Valume.	Balance.
March 20	143^{4}—144^{1}	143¾	13,500	Bought [illegible]
22	142^{4}—144^{4}	143½	26,500	Bought 4,800
23	142^{3}—146^{7}	144⅝	72,000	Bought 40,200
24	145^{6}—147^{1}	146⅜	58,000	Bought 2,600
25	145^{2}—147^{2}	146⅛	51,800	Bought 8,300
26	146—147^{7}	146⅞	53,400	Bought 5,300
27	147^{5}—148^{7}	148¼	35,000	Bought 2,100
29	147—148^{4}	147¾	40,000	Sold 10,000
30	146—147^{3}	146⅝	35,200	Bought 3,800
31	145^{6}—147	146⅜	23,000	Bought 2,000
April 1	144^{5}—145^{7}	145¼	39,000	Sold 12,400
3	144^{7}—146	145⅜	12,500	Bought 2,500
5	146—147	146⅝	39,500	Sold 100
6	146^{2}—148	147⅛	50,000	Bought 1,000
7	145^{7}—147^{4}	146⅝	44,000	Bought 5,000
8	145^{7}—146^{7}	146⅜	14,300	Bought 700
9	146^{5}—151^{4}	149	110,000	Bought 80,600
10	151^{4}—153	152¼	54,300	Bought 21,700
12	149^{7}—152^{1}	151	47,000	Bought 10,500
13	149^{5}—152	150¾	36,000	Bought 12,100
14	150^{1}—152	151	50,000	Even
15	150^{2}—153^{3}	151¾	60,000	Sold 10,500
16	151—152^{2}	151⅝	25,600	Bought 4,000
17	152^{6}—153^{1}	152⅞	22,000	Bought 13,100
19	152^{4}—157^{1}	154¾	104,000	Bought 6,900
20	152^{6}—155^{3}	154	52,000	Bought 1,500
21	153^{5}—156	154¾	45,000	Sold 4,100

market as upward at the beginning of this period and was long of Reading. The subsequent placing of stops may then be adjusted according to the "balances" shown in the table on the opposite page.

On March 20 and 22 no heavy balance is shown on either side, but on the 23rd, out of a total of 72,000 shares traded in, over 40,000 shares are found to be above the mean price for the day, 144⅝. This indicates, according to Mr. LaPorte, "pool activity." He assumes that the price will not thereafter be allowed to decline much below the mean price of 144⅝ until the bull campaign is abandoned, temporarily or permanently. He therefore raises his stop to say 144.

The next day to show a large balance is April 9, when out of 110,000 shares traded in, over 80,000 were above the mean price of 149. He therefore raises his stop to 148½.

Again on April 17 a "Bought" balance of 13,100 shares is shown out of total transactions of 22,000. The mean price for the day being 152⅞, the stop is raised to 152⅜.

This example is sufficient to make clear Mr. LaPorte's "scientific method for placing stops," which is submitted for the consideration of students of the market.

Scale Trading

How to Trade on a Scale—Its Advantages

MOVEMENTS in the stock market consist more of narrow fluctuations and swings of 10 or more points up and down, than of long continued movements in one direction.

The idea of trading on a scale is to take advantage of those continually recurring up and down movements.

Careful discrimination in the selection of stocks has of course to be exercised. In a general way it is the low or medium priced stocks of merit—stocks which fluctuate without making extreme movements—which lend themselves best to scale trading operations, and they may be expected to return a good interest on the investment at a minimum of risk.

To trade beyond one's capital is the most serious and also the most frequently made mistake in the stock market. With $1,000 capital the average man wants to trade in 100 shares of stock. Good advice is, instead of trading with $1,000 in 100 shares, select a safe low or medium priced stock, and begin trading on a scale in 20 or 30 shares. Conservatism pays in the long run.

Suppose U. S. Steel made the following fluctuations: 55, 54, 53, 52, 51, 50, 51, 52, 53, 54, 55, 56.

A ten-share scale trader would have bought in that case 20 shares at 55 and 10 shares every point down at 54, 53, 52, 51, 50. When the market rallied he secured 1¼ points profit on each purchase. Ten shares bought on the way down at 50, go out on rally 51¼; 10 shares bought at 51, go out at 52¼; 10 shares bought at 52, go out at 53¼, etc. On the first purchase of 20 shares at 55, he secured, however, profit of 1¼ points on only 10 shares, keeping the other 10 shares for the long pull. The general idea of scale trading is to buy a stock every point down, and sell it out on a scale up, securing 1¼ points profit on each purchase.

Scale trading can, of course, be practiced on the short side of the market as readily as on the long side. A trader who wants to operate on the short side of a stock, sells 10 shares every point up, and secures on reactions 1¼ points profit on each sale.—From Circular issued by Wilson & Chardon.

Note:—Market statistics will be found on page 273 of this issue.

How to Detect Distribution of Stocks

The Characteristics of a Culminating Market

By G. C. SELDEN

(*Continued from issue of May 29.*)

A FEW words more should be said about the length of a period of distribution. That depends mainly on two things:

(1) The extent of the previous rise. The greater the advance the greater, as a rule, will be the selling of investment stocks after distribution has once begun. A prolonged rise generally means that a speculative campaign has been run on a broad scale. This requires the accumulation of a great quantity of stocks and consequently there is a great quantity to be distributed after the advance is over. Also, a greater number of miscellaneous investors will naturally be ready to part with their holdings when a prolonged bull market stops rising. Many will hold their stocks while prices seem to be going up but will sell as soon as the market begins to hesitate or react.

(2) The readiness of the public to buy stocks at the top. In this there is great variation. Sometimes speculative buying will be so heavy at high prices that the offerings of investors and of those who have bought at a lower range will be very quickly absorbed. In such cases the transfer of stocks from strong to weak hands takes place in a short time and there is then nothing to prevent an early decline.

But at other times the speculative public is coy and recalcitrant and the buying is slow. At these times any strong bull interests who may have been running a campaign will find it necessary to maintain prices near the high level for a considerable period before they can get rid of their holdings. "Healthy reactions" have to be permitted, because there are many who will buy on a small reaction after a big advance but would not buy without the reaction. Apparent renewals of the bull movement have to be engineered, only to fizzle out as soon as the demand created by rising prices has been supplied. The market may be held almost stationary for a long time, provided that during that time a few more buying than selling orders are coming in.

And while the managers of the campaign are supervising this process of backing and filling, investors also are disposing of their stocks more slowly than in an active market. There are numerous reasons for this. One is that many investors make it a rule to sell out when the market shows great speculative activity after a substantial advance; and if they do not see the activity, they do not sell. Another is that the general idea of profit-taking does not become so widely spread when the process of distribution has to be carried out in a dull market—the working of the machinery is not so evident. Still another is that distribution on a dull market is much more likely to follow an advance of only moderate proportions, so that the level of prices means a higher dividend return to the investor and he is less anxious to part with his stocks.

Evidently we may have four situations as regards these major factors affecting the length of the period of distribution:

(1) Prolonged advance followed by active speculative buying—period of distribution likely to be short.

(2) Prolonged advance followed by comparative inactivity—distribution likely to be of medium duration.

(3) Brief advance followed by active speculative buying—distribution of medium duration.

(4) Brief advance followed by inactivity—distribution likely to be prolonged.

Major and Minor Distributions

An important consideration, and one that has a direct bearing on the length of the period, is whether the distribution is complete or partial. We might classify distributions as *major* and *minor*—the major distribution occurring when the advance is over and an effort is made to distribute as many stocks as possible,

and the minor when the decline which follows is to be merely a downward intermediate swing and will be followed in due time by a resumption of the bull market which will carry prices to still higher figures.

The minor distribution will naturally, other things being equal, require much less time than the major. In most cases, also, the advance which precedes the minor distribution will be shorter than that preceding the major. In regard to activity, however, there is less difference. A minor distribution may be short but very active, with a big volume of trade followed by a downward intermediate swing, which in this case is usually sharp but brief.

The completion of distribution, whether major or minor, is nearly always followed by markets which at least appear very bearish, whether in the long run they prove to be a part of a genuine bear market or not. If a real bear market has set in, distribution has previously been so extended that heavy markets are unavoidable because of the load of stocks which is being carried by weak holders. If the decline is to be merely a downward intermediate swing, the beginning of it will nevertheless appear almost exactly like to the beginning of a bear market. This will often happen naturally, as a result of the urgency of small speculators to save their profits or cut short their losses; but if it doesn't happen naturally, the necessary help will usually be forthcoming, as part of a large speculative campaign which includes in its tactics both major and intermediate swings.

There are those, of course, who will dispute the existence of any such long-range, planned-in-advance campaign as the above implies. It is a point which can never be conclusively proved, but my opinon, and without doubt that of the majority of trained observers of the market, is that such a campaign nearly always coincides with broad price movements. The campaign is always subject to modification by subsequent developments but it seems to me very plainly to underlie the general course of the market.

The decline following distribution will inevitably run to some kind of a liquidation, the severity of which will depend on many circumstances—the extent of the distribution, the strength of fundamental conditions, the position of the market in the "Minor Cycle" (which usually covers a period of three or four years), whether or not an active "bear party" is at work, and so on.

If a real bear market sets in, there will be the usual phases of liquidation followed by partial accumulation, upward intermediate swings or big rallies, then renewed distribution followed by further liquidation, until prices are at length low enough so that investors and big interests are willing to take the stocks and hold them, thus reducing the floating supply to such an extent that a broad upward movement can again be promoted. Such a prolonged bear market generally winds up with a panic of some kind. It may be purely a stock market panic, attracting little attention from the country at large, or it may include a business as well as a stock market liquidation, as in 1903, 1907, or 1914.

If the distribution is incomplete, or "minor," and is therefore followed only by an intermediate swing downward, there will be no panic to follow the decline, but there may be some excited markets and dizzy breaks. These may come naturally or they may be produced by the manoeuvres of big speculators.

In the bull market of 1909, for example, there were several of these sharp breaks without apparent cause, followed by a renewal of the upward movement. They were commonly attributed to Mr. Harriman and his followers. On the other hand, in the long and uncertain bull movement which began in July, 1910, and did not finally culminate until the fall of 1912, there was a tremendous downward intermediate swing in 1911, due to heavy foreign liquidation and war fears abroad. There is no reason to suppose that this was helped along by any active bearish manipulation.

With the final liquidation, whether at the bottom of a bear market or of an intermediate swing, accumulation begins. I hope to discuss this topic in future articles.

(*End of the Series.*)

Technical and Miscellaneous Inquiries

Conservative Handling of Capital

My present concern is how to place the following most wisely:

Cash, $4,000.
50 Am. Locomotive, bought at 60.
5 Union Pacific, bought at 118.
2 Canadian Pacific, bought at 158.
20 Am. Locomotive, bought at 50.
5 Penn. R. R.

I am now using the 5 Union Pacific as collateral margin for 20 share speculations.

I will thank you for whatever pointers you may give me. Would the Trend Letter help me?—C. W.

We would suggest that you hold the stocks you now have, in view of the fact that the market has had a considerable decline, and it is not a favorable time to sell (May 15).

As regards a general plan of investment, we recommend that you put about one-third of your available capital into good convertible bonds, another third into sound investment stocks, to be paid for in full, and bought at a time when the Trend Letter recommends investment purchases, and use the remaining third for conservative margin operations, on both the long and short sides of the market, as recommended by the Trend Letter. Of course this would require you to take the Trend Letter, but we think you would find the cost of that service well invested.

In following our Trend Letter we usually recommend using from 20 to 30 points margin, according to circumstances, and occasionally more. If you wish to be still more conservative you could use larger margins, which would make your position still more secure. You could also deposit some or all of your securities owned outright to serve as collateral for strengthening your margin account.

As to convertible bonds we would suggest that you consider the following: Chicago, Milwaukee & St. Paul convertible 4½s, Southern Pacific convertible 5s, and Baltimore & Ohio convertible 4½s.

Working Out of a Loss

I wish to follow the Trend Letter, but am tied up in California Petroleum. Advise when I can average on long side or "hedge" by selling it short.—L. L.

We would suggest that you average out of your loss on California Petroleum by working in some other stock, as we do not consider that a desirable stock in which to operate.

For example, when the Trend Letter advises selling short, you can sell as much of one or two or three other stocks as would equal your holdings of California Petroleum. Likewise, if we advise taking the long side, you can buy other stocks in addition to your Petroleum. In that way you will doubtless soon work out of your loss in California "Pete" and you can then let it go, or you can hold it until the whole market has a big advance before selling.

Trend Barometer

Would you kindly let me know if you are going to substitute Anaconda Copper for Amalgamated Copper in your Big Six Trend Barometer?—T. M.

We do not advise any change in the "Big Six" Trend Barometer so long as Amalgamated Copper remains active on the exchange. When it becomes inactive it is very likely that Anaconda may take its place as one of the principal speculative issues. That, however, remains to be seen. So far we see no necessity for any change.

Puts and Calls as Margin

Will you please briefly explain how puts and calls contracts can be used with a broker as margin for buying or selling stock?—B. F.

We would suggest that you read the article on page 130 of the May 15 issue of The Magazine of Wall Street, entitled "How to Trade in Wheat Privileges." This will give you a pretty good idea of puts and calls, since "puts" correspond to bids on wheat, and "calls" to offers. You will also find many other articles on puts and calls in past issues.

We would recommend that you write Wm. H. Herbst, 20 Broad street, New York City, for booklets and information in regard to puts and calls on stocks.

If you buy Union Pacific, for example, at 125, and deposit with your broker a put on U. P. at 122, all the margin your broker will need will be the difference between the price of your put, 122, and the price at which you bought the stock, 125. This will be true during the period for which the put is good. That is, if your put covers thirty days, you will not need to deposit with your broker more than 3 points margin until the end of the 30 days, when the put expires. The same principle applies to calls.

If you bought a put on U. P. at 122, and then the stock declined so that you were able to purchase at 121⅞, you would, of course, need no margin at all with your broker except the put during the period covered by the put.

Experience and Judgment

The Magazine of Wall Street:

Gentlemen—I want to say that I appreciate your efforts in the publishing of The Magazine of Wall Street very much.

I am not a market trader nor an outright speculator. I make purchases of a few shares of stock at a time. What I am always wanting to know is the best stocks to buy and the best time to buy them. Now, neither you nor anyone else knows this exactly, but there is such a thing as bringing good judgment backed up with a ripe experience to bear on the subject which produces very fair results from time to time. I enclose my check to cover one year's subscription.—J. B.

COTTON AND GRAIN

Cotton's Strong Technical Position

By C. T. REVERE

ALTHOUGH current opinion throughout the cotton trade is bearishly inclined, the course of prices has disappointed the shorts. Academic considerations have been set at naught by the firm undertone and the ease with which rallies have taken place.

There has been abundance of bearish information on cotton. The statistical position shows up unfavorably with the visible supply of all kinds placed at 6,500,000 bales against 4,561,000 last year, while the visible supply of American cotton is 4,716,000 bales against 2,691,000 last year. (*Chronicle* figures.)

In addition to this crop reports have been exasperatingly favorable for nearly a month. Such experts as F. M. Cordill and the Texas representatives of some of the large local firms passed doubt upon the likelihood of a radical reduction in the acreage of the Western belt and they commented hopefully on current field conditions. The drought in the Eastern belt has been broken by abundant rains over Mississippi, Alabama, Georgia and the Carolinas. The trade is in full agreement with the report of the Bureau of Crop Estimates of the Department of Agriculture, placing the condition at 80 compared with 74.3 last year and a ten-year average of 79.5.

The bears have had a great deal of ammunition which they have used without stint. Spinners takings have been disappointing and make a total of about 1,500,000 bales less than for the same period last year. Not only prevailing conditions, but even the outlook for the season, both from the standpoint of supply and demand, have come in for bearish construction. In spite of this the market shows no weakness.

While the present article is not intended as an effort to disseminate bullish propaganda, the market just now furnishes an interesting illustration of the importance of the technical position and its effect upon prices. Practically the only bull argument which the bears will recognize is the possibility of a short crop next season. With an acreage reduction somewhere between 12 per cent. to 15 per cent, and unfavorable growing conditions, it would be possible for the production this year to fall below 11,000,000 bales. The tendency of the trade is to base its calculations upon an output of about 12,000,000 bales. With a serious curtailment from this basis, the bears are inclined to admit that present prices might be maintained. With the production of 13,000,000 bales, however, they believe that supplies would be as burdensome next season as they were in September and October of 1914.

The phenomenal strength of the market under such circumstances furnishes an excellent example of how prices can be maintained by the strength of the technical contract situation.

The fact of the matter is, the market lacks selling power. The bears may be correct in their diagonsis of the situation as well as in their prognosis of the future. Arguments, however, do not affect markets unless they are backed up with orders.

Selling power might be obtained if Southern holders should become panic-stricken and try to sell their spot cotton in a market bare of demand. This would call for use of the contract market by way of selling hedges. Southern holders, however, are in a very strong position. Most of the farmers have sold their crops and it is doubtful if 1,000,000 bales out of the 16,700,000 produced last season still remain in first hands. It seems a foregone conclusion, therefore, that there can be no pressure of spot offerings from the South until the new crop comes to market.

Attention was called to the fact, in an article which appeared in this magazine last December, that the maximum pressure of a large crop in fully nine cases out of ten was exerted before the first of January each year. After that date the predictions of demoralization among

spot holders may be construed as irresponsible talk.

Offerings sufficient to depress prices might come as a result of speculative liquidation, if this process already had not been drastic and thorough. On April 23 the crest of the remarkable advance in cotton was reached. October, which had sold at 7.70 on December 11, the day after the government crop estimate was issued, reached 10.92, an advance of 322 points or $16.10.

When this high point was touched, although there was the usual optimism attendant upon a bull movement, the accumulations of long cotton were not large. Profits had been taken at intervals throughout the rise, particularly as prices went much higher than anyone had believed probable.

A series of bearish developments unsettled confidence. The sinking of the *Gulflight* precipitated a certain amount of liquidation. The *Lusitania* disaster sent an avalanche of long cotton on the market. On the Monday following the reprehensible rumors of an attempt on the life of President Wilson threw the market into a state of demoralization and cleaned out all but the most strongly fortified bull holdings. On this break October sold at 9.46. This represented a decline of 146 points from the high level of the season.

At present the market is clear of stop loss orders, except for the account of scalping traders, who are few in number. The selling pressure, therefore, that can be expected from the speculative element is practically nil.

Under such circumstances it would be difficult to cause a big break in cotton from the present level. Any incentive for a decline must come from new crop influences, and the supply and demand situation of the new season. New pressure might come next autumn. Meantime, however, the developments in the war may give a new turn that will be strangely to the bear element.

There is also the underlying conviction that cotton is not high around present prices. This view takes into consideration the new contract which is at a much higher premium over Southern spot markets than the old New York contract. It is argued that 9.50 for October in New York next fall will represent Southern farm prices below 8½c., and such a figure would be below the average cost of production in recent years. Bears make the argument that this crop will be more cheaply produced than any crop for a long time, but this theory is not likely to be given a great deal of weight by the speculative element, until they see it demonstrated by the willingness of farmers to accept such returns.

In addition to this there is always the fear of crop scares during the summer, and while the ultimate yield may prove in excess of bearish estimates of requirements, allowance will have to be made for the feeling of apprehension created by predictions of crop failures. It is conceded that a crop scare during the summer might cause a radical change in sentiment.

These furnish a few of the reasons why the market fails to decline and why bulls have shown a willingness to lend support on weak spots.

Market Statistics

		Dow Jones Averages		50 Stocks			Breadth
		12 Industrials	20 Railroads	High	Low	Total Sales	(No. issues)
Monday,	May 24........	84.66	92.98	68.99	67.55	546,500	136
Tuesday,	" 25........	83.92	92.56	68.04	67.24	263,400	134
Wednesday,	" 26........	83.48	92.31	67.43	66.63	412,900	12[illegible]
Thursday,	" 27........	83.93	92.50	67.58	67.03	271,500	120
Friday,	" 28........	83.84	92.14	67.52	67.11	164,400	124
Saturday,	" 29........	83.94	92.06	67.34	66.90	129,900	95
Tuesday,	June 1........	84.16	91.68	67.38	66.48	222,400	112
Wednesday,	" 2........	85.36	92.45	68.39	67.59	389,700	132
Thursday,	" 3........	88.42	93.85	69.84	68.38	773,500	165
Friday,	" 4........	89.50	93.87	71.22	69.77	1,002,700	171
Saturday,	" 5........	89.37	93.49	70.33	69.69	288,800	124

The Wheat Outlook

By P. S. KRECKER

WHILE interest in this country has been centered on the new crop, events potential with meaning to the market have occurred abroad. Victory has crowned the dashing Austro-German troops in their onslaught upon Przemysl and that stronghold has been wrested from the Russians. The significance of this triumph can only be that the war will be prolonged, and prolongation of the war means continued enormous consumption of American wheat by the fighting men of Europe. Another new element has been injected into the situation by the threatened entrance of Roumania and Bulgaria into the theatre of war. Geographically part of that rich Danubian region sometimes called the granary of Europe, these countries are large producers of grain, especially of wheat. In the last three years their harvests of this cereal food have formed a combined total ranging from 135,000,000 to 140,000,000 bushels. Should they declare war in the immediate future, this year's harvest, which normally is reaped in July, might be seriously depleted through scarcity of labor when thousands of workers are summoned from the fields to the colors. The disastrous effects of the Balkan war upon the agricultural industry of these countries is fresh yet in the memory. Looking farther ahead, the effect would be a short crop next year, even if not this season. It is important to keep this contingency in mind just now, when the minds of the trade are more or less obsessed by ideas of huge crops and the disposition is to ignore the larger aspects of the situation.

As this is written the domestic wheat market is having a normal reaction. The decline in three weeks' time has amounted to about 17 cents a bushel. It will be recalled that the writer in the previous issue suggested that the immediate future then indicated reactionary price movements, because of the bearish elements in the new crop situation. The decline was discounting the government crop report, which at present writing has not yet appeared. It is notable that, during the period of declining prices and liquidation stimulated by growing bearish sentiment, the international wheat market held relatively well, responding but little to our weakness. World's stocks of old wheat are the smallest for this season of the year in three years, according to such an authority as Bradstreet's, whose latest estimate makes them 124,730,000 bushels, against 130,733,000 bushels a year ago and 157,109,000 bushels two years ago. Exports are moving along from this country in sustained volume and trade authorities do not hesitate to predict that the total for the season will yet reach 330,000,000 from the United States and 400,000,000 bushels for the United States and Canada. Naturally Europe does not wish to pay more for her wheat than she must. Her buyers, correctly foreseeing that prices would yield in the American markets as the new crop approached maturity, have shown a disposition recently to remain out of the market. But that they were only playing for time and lower prices was shown by the renewal of the buying movement for export account on the recent decline. Premiums paid for cash wheat tend to widen and it is probable that there will be further buying for foreign account, unless the market should suffer a weather scare and sharply advance. Domestic mills, too, have been buyers at the lower levels.

As this is written prior to the publication of the crop report, no comment is possible on that important exhibit. However, for the immediate future a weather market is indicated for wheat. Wet weather would be unwelcome; at least if prolonged and extending over a wide area, as it would delay harvesting and easily might cause deterioration in the quality of the crop. Dry conditions are needed, especially in the Southwest, where harvesting is now under way. An influence against values will be felt in the hedge selling against spot wheat. This pressure is beginning now and will continue probably for several weeks, increasing in proportion to the growing movement of the new crop in the Southwest.